

THE DATE OF THIS OFFICIAL STATEMENT IS JUNE 11, 2007

NEW ISSUE—BOOK-ENTRY ONLY

NOT RATED

In the opinion of Bond Counsel and the Attorney General of the State of Michigan, subject to compliance with certain covenants, under existing law, interest on the Series 2007 Bonds is excluded from gross income for federal income tax purposes except as described under “TAX MATTERS” herein, and the Series 2007 Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof except for estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See “TAX MATTERS” herein.

\$14,370,000

**MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(DAVID ELLIS ACADEMY - WEST PROJECT), SERIES 2007**

Dated: June 1, 2007

Due: June 1, as shown on inside cover

The Limited Obligation Revenue Bonds (David Ellis Academy - West Project), Series 2007 (the “Series 2007 Bonds”) will be issued by the Michigan Public Educational Facilities Authority (the “Authority”) as registered bonds in book-entry only form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2007 Bonds. Purchases of beneficial interests in the Series 2007 Bonds will be made in book-entry only form, in denominations of \$100,000, or any integral multiple of \$5,000 in excess thereof and can be sold or transferred only to “qualified institutional buyers” as defined in Rule 144A promulgated by the Securities Exchange Commission under the Securities Act of 1933 (“Rule 144A”). In addition, purchasers will not receive physical certificates representing the ownership interest in the Series 2007 Bonds purchased by them. See “THE SERIES 2007 BONDS – Book-Entry-Only System.”

The Series 2007 Bonds will be issued under and pursuant to a Trust Indenture (“Indenture”) dated as of June 1, 2007 between U.S. Bank National Association, St. Paul, Minnesota (the “Trustee”) and the Authority. The Series 2007 Bonds are being issued to assist David Ellis Academy - West (the “Academy”) in financing and refinancing the acquisition of certain real property and a public school academy facility located in Redford, Michigan (the “Facility”), the renovation of the Facility, and the acquisition of certain personal property and equipment to be located on the Academy’s campus (the “Equipment”) (collectively, the Facility and the Equipment are referred to as the “Project”). The Authority will use the proceeds of the Series 2007 Bonds to obtain funds to purchase the Academy’s School Building and Site Bond, Series 2007, dated June 1, 2007 (the “Municipal Obligation”) pursuant to a Financing Agreement dated as of June 1, 2007, between the Authority and the Academy (the “Financing Agreement”). The Authority will purchase the right to receive Scheduled Installment Payments and Additional Payments and to exercise remedies under the Financing Agreement by which the Academy will finance and refinance the acquisition, construction and equipping of the Project. The Series 2007 Bonds will be secured by a Future Advance Mortgage dated as of June 1, 2007 (the “Mortgage”) with respect to the Facility and improvements thereon given by the Academy to the Trustee. A portion of the real property purchased with proceeds of the Series 2007 Bonds will not be subject to the lien of the Mortgage. The Series 2007 Bonds are further secured by an assignment made by the Academy in the Financing Agreement of twenty percent (20%) of the State School Aid (as defined herein) to be received by the Academy in each fiscal year from the State of Michigan, provided that a greater percentage of state aid may be intercepted in a given month in the event that funds available to the Academy to make a payment due under the Financing Agreement are insufficient. Pursuant to the State Aid Agreement dated as of June 1, 2007 (the “State Aid Agreement”), by and among the Academy, the State Treasurer of the State of Michigan, the Trustee, the Bay Mills Community College Board of Regents, fiscal agent for the Academy, and the Authority, the Academy has directed that twenty percent (20%) of the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan be paid directly to the Trustee, except, as described hereinabove, that up to 97% of such state aid may be payable to the Trustee under certain circumstances.

Interest on the Series 2007 Bonds will accrue from the date of delivery and will be payable semi-annually on each June 1 and December 1, commencing December 1, 2007. Principal of and interest on the Series 2007 Bonds will be paid by the corporate trust office of the Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2007 Bonds, such payments will be made directly to DTC or such nominee. Disbursements of such payments to the Direct Participants are the responsibility of DTC, and disbursements of such payments to the beneficial owners are the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Series 2007 Bonds are subject to optional redemption beginning June 1, 2017 and mandatory and extraordinary redemption as described herein. See “THE SERIES 2007 BONDS – Redemption of the Series 2007 Bonds Prior to Maturity” herein.

THE SERIES 2007 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY’S PAYMENTS UNDER THE MUNICIPAL OBLIGATION AND A CERTAIN FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE SCHEDULED INSTALLMENT PAYMENTS, RESERVE FUND PAYMENTS AND OTHER DEBT SERVICE PAYMENTS DUE ON LONG-TERM OBLIGATIONS OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE SERIES 2007 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE OF MICHIGAN (THE “STATE”), THE BAY MILLS COMMUNITY COLLEGE BOARD OF REGENTS (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE BAY MILLS COMMUNITY COLLEGE BOARD OF REGENTS OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2007 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS” AND “RISK FACTORS” HEREIN.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Purchase of the Series 2007 Bonds involves a high degree of risk and the Series 2007 Bonds are a speculative investment. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision, and should give particular attention to the material under the caption “RISK FACTORS” herein.

The Series 2007 Bonds are offered when, as and if issued by the Authority and received and accepted by the Underwriter and subject to the approval of legality by Dickinson Wright PLLC, Bloomfield Hills, Michigan, Bond Counsel, and the Attorney General of the State of Michigan, and certain other conditions. Certain legal matters will be passed upon by Jaffe Raitt Heuer and Weiss, Professional Corporation, as counsel to the Academy and by Dorsey & Whitney LLP, Minneapolis, Minnesota, as Underwriter’s Counsel. It is expected that the Series 2007 Bonds in book-entry form will be available for delivery against payment therefor on or about June 20, 2007.

The Underwriters intend to engage in secondary market trading in the Series 2007 Bonds, subject to applicable securities laws. However, the Underwriters are not obligated to repurchase any of the Series 2007 Bonds at the request of any holder thereof. For information with respect to the Underwriters, see “Underwriting” herein

HERBERT J. SIMS & CO., INC.

MUNICIPAL CAPITAL MARKETS GROUP, INC.

MATURITY SCHEDULE

\$14,370,000 Term Bonds Due June 1, 2037; Interest Rate 5.875%; Yield 5.950%; CUSIP 594569 CC 7

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ACADEMY OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. ALL INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE ACADEMY AND OTHER SOURCES WHICH ARE BELIEVED TO BE ACCURATE AND RELIABLE, BUT NO REPRESENTATION, WARRANTY, OR GUARANTEE IS MADE AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT. NOTHING CONTAINED IN THIS OFFICIAL STATEMENT CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SERIES 2007 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO COMPLETION AND AMENDMENT. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY STATEMENT NOR ANY SALE MADE HEREUNDER WILL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ACADEMY SINCE THE DATE HEREOF.

SERIES 2007 BONDS AND THE BENEFICIAL OWNERSHIP INTERESTS THEREIN MAY ONLY BE PURCHASED BY OR TRANSFERRED TO APPROVED INVESTORS, AS DEFINED HEREIN. SEE EXHIBIT E – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS CONTAINED HEREIN. TO COMPLY WITH RULE 144A IN CONNECTION WITH RESTRICTED REALES OR TRANSFERS OF THE SERIES 2007 BONDS, THE ACADEMY WILL BE REQUIRED UNDER THE CONTINUING DISCLOSURE AGREEMENT TO FURNISH UPON REQUEST, AND AT THE EXPENSE OF THE REQUESTING INVESTOR, CERTAIN FINANCIAL AND OPERATING INFORMATION.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Institution’s financial results could cause actual results to differ materially from those stated in the forward-looking statements. See “RISK FACTORS” and “EXHIBIT C—SELECTED FINANCIAL INFORMATION.”

SHORT STATEMENT

THE INFORMATION SET FORTH IN THIS SHORT STATEMENT IS A BRIEF OVERVIEW ONLY OF CERTAIN MATTERS CONTAINED IN THIS OFFICIAL STATEMENT. THIS SHORT STATEMENT IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION SET FORTH ELSEWHERE IN THIS OFFICIAL STATEMENT, WHICH SHOULD BE READ IN ITS ENTIRETY INCLUDING WITHOUT LIMITATION THE APPENDICES HERETO.

LIMITED OBLIGATION REVENUE BONDS (DAVID ELLIS ACADEMY - WEST PROJECT), SERIES 2007. The Series 2007 Bonds will be issued under and pursuant to a Trust Indenture ("Indenture") dated as of June 1, 2007 between U.S. Bank National Association, St. Paul, Minnesota (the "Trustee") and the Authority. The Series 2007 Bonds are being issued to assist David Ellis Academy - West (the "Academy") in financing and refinancing the acquisition of certain real property and a public school academy facility located in Redford, Michigan (the "Facility"), renovation of the Facility and acquisition of certain personal property and equipment to be located on the Academy's campus (the "Equipment") (collectively, the Facility and the Equipment are referred to as the "Project"). The Authority will use the proceeds of the Series 2007 Bonds to obtain funds to purchase the Academy's School Building and Site Bond, Series 2007, dated June 1, 2007 (the "Municipal Obligation") pursuant to a Financing Agreement dated as of June 1, 2007, between the Authority and the Academy (the "Financing Agreement"). The Authority will purchase the right to receive Scheduled Installment Payments and Additional Payments and to exercise remedies under the Financing Agreement by which the Academy will finance and refinance the acquisition, construction and equipping of the Project. The Series 2007 Bonds will be secured by a Future Advance Mortgage dated as of June 1, 2007 (the "Mortgage") with respect to the Facility and improvements thereon given by the Academy to the Trustee. A portion of the real property purchased with proceeds of the Series 2007 Bonds will not be subject to the lien of the Mortgage. The Series 2007 Bonds are further secured by an assignment made by the Academy in the Financing Agreement of twenty percent (20%) of the State School Aid (as defined herein) to be received by the Academy in each fiscal year from the State of Michigan, provided that a greater percentage of state aid may be intercepted in a given month in the event that funds available to the Academy to make a payment due under the Financing Agreement are insufficient. Pursuant to the State Aid Agreement dated as of June 1, 2007 (the "State Aid Agreement"), by and among the Academy, the State Treasurer of the State of Michigan, the Trustee, the Bay Mills Community College Board of Regents, fiscal agent for the Academy, and the Authority, the Academy has directed that twenty percent (20%) of the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan be paid directly to the Trustee, except, as described hereinabove, that up to 97% of such state aid may be payable to the Trustee under certain circumstances.

DAVID ELLIS ACADEMY - WEST is a Michigan public school academy chartered through Bay Mills Community College and is in its first year of operation. The Academy has enrolled 307 students in grades 4-8 for 2006-07. The Academy projects future enrollment and grades offered as follows: 700 students in grades K-8 for 2007-08; 775 students in grades K-8 for 2008-09; 850 students in grades K-8 in 2009-10 and 925 students in grades K-8 in 2010-11. There are currently 143 new students enrolled for the 2007-2008 school year.

CHARTER CONTRACT. The Academy is authorized under a contract confirming the status of a public school academy (the "Charter") issued by Bay Mills Community College. Such Charter confirms the status of the Academy as a public school academy and provides for oversight of the Academy's compliance with all applicable state and federal laws pertaining to public school academies. The Charter, dated August 9, 2006, currently expires on June 30, 2014. See "RISK FACTORS – Revocation or Non-Renewal of Charter Contract." As of October, 2006 there were 230 public school academies operating in

314 school buildings in Michigan¹. These public school academies are authorized as follows: 150 by public universities, 30 by intermediate school districts, 37 by community colleges and 13 by local education agencies. These charter schools serve approximately 125,000 students, or roughly 7.25% of Michigan's public school students. Since the inception of the State's charter school program, 30 charter schools have been closed (six have had their charters terminated or revoked; 16 have had their charters not renewed and seven have either never opened or voluntarily dissolved).²

BAY MILLS COMMUNITY COLLEGE, the Academy's sponsor (the "Sponsor"), offers accredited associate degree programs, technical training and cultural opportunities to the tribes of Michigan and their neighboring communities. It also serves students nationwide on the internet. The Sponsor was chartered in 1984 under the Tribally Controlled Community College Act. It was given land grant status in 1994 under the Equity in Educational Land Grant Status Act. Control is vested in a Board of Regents which elects the officers of the administration and establishes overall institutional policies. The Sponsor moved to its present facility in 1984. The Sponsor acts as the authorizer to 35 public school academies in Michigan. See "RISK FACTORS – Outcome of Litigation Questioning Bay Mills Community College as Authorizer" herein.

SCHOOL MANAGEMENT. The Academy has entered into a five (5) year management agreement scheduled to expire on June 30, 2011 (and then subject to renewal), with Bardwell Group, Inc. ("Bardwell") for certain business and educational services. Bardwell specializes in providing educational institutions with a variety of educational services and products, including business management, curriculums, educational programs, teacher training and technology. Bardwell provides to the Academy all labor, material and supervision necessary for the provision of educational services to students of the Academy, and provides for the personnel, management, operation and maintenance of the Academy. In addition to the Academy, Bardwell manages one additional school, located in Detroit, Michigan. The combined enrollment of Bardwell-managed charter schools is approximately 650 students.

PLAN OF FINANCING/USE OF PROCEEDS. Proceeds from the sale of the Series 2007 Bonds will be used to finance the acquisition of certain real property located in Redford, Michigan (the "Site") and the acquisition, renovation, expansion and equipping of a facility located thereon (the "Facility"), together with the refinancing of certain existing indebtedness incurred to make initial improvements to the Facility and certain related project costs (collectively, the "Project"). The construction portion of the Project cost pursuant to the construction contract with Corona Construction, Inc. is \$4,315,000. In addition to paying for the costs of acquisition, construction and discharge of existing indebtedness, proceeds of the Series 2007 Bonds will be used to: (i) fund a one year's debt service reserve fund; (ii) fund eighteen months' capitalized interest and (iii) pay all costs of issuance. The Academy is purchasing the Site from the Archdiocese of Detroit pursuant to a purchase agreement dated January 13, 2006.

THE PROJECT. The Project is located at 19800 Beech Daly Road, Redford, Michigan and encompasses approximately 7.8 acres. The Facility will be used as a public school academy and consists of approximately 82,000 square feet with two media centers, cafeteria and gymnasium. The Project will contain a total of 45 classrooms and have a capacity in excess of 1,000 students. The Facility is currently leased by the Academy from the Archdiocese of Detroit pursuant to a Lease Agreement dated May 1, 2006, expiring June 30, 2008 (the "Lease").

¹ Source: Michigan Department of Education, Directory of Public School Academies. URL: http://www.michigan.gov/documents/Counts_55505_7.pdf

² Source: http://www.michigan.gov/documents/Closed_55511_7.pdf. (One school's reason for closure does not fit within the categories described above.)

SECURITY FOR THE SERIES 2007 BONDS. The Academy is required under the Financing Agreement to pay to the Trustee payments which are sufficient, in both time and amount, to pay, when due, the principal of, premium, if any, and interest on the Series 2007 Bonds. The Financing Agreement provides that the Academy's obligation to make the payments is absolute and unconditional in all events. The Academy's ability to make payments and any other payments under the Financing Agreement is subject to and dependent on State School Aid received on a per student basis from the State of Michigan. Pursuant to the State Aid Agreement, the Trustee is authorized to intercept twenty percent (20%) of such State School Aid (the "Assigned Revenues") during the period from June 1, 2007 through June 1, 2037, by wire transfer, to pay the Academy's obligations under the Financing Agreement.

THE SERIES 2007 BONDS ARE PAYABLE BY THE TRUSTEE SOLELY FROM THE PAYMENTS REQUIRED TO BE PAID BY THE ACADEMY PURSUANT TO THE FINANCING AGREEMENT AND THE MUNICIPAL OBLIGATION WHICH IN TURN ARE PAYABLE BY THE ACADEMY FROM ANY AND ALL LEGALLY AVAILABLE MONIES OF THE ACADEMY, AND FROM OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE FINANCING AGREEMENT. THE ACADEMY HAS NO TAXING POWER. ALL STATE AID PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE SERIES 2007 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, BAY MILLS COMMUNITY COLLEGE, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, BAY MILLS COMMUNITY COLLEGE, NOR ANY OTHER POLITICAL SUBDIVISION OR AGENCY OF THE STATE IS PLEDGED FOR THE PAYMENT OF PURCHASE PAYMENTS OR THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2007 BONDS. SEE "SECURITY FOR THE SERIES 2007 BONDS" AND "RISK FACTORS."

THE FINANCING AGREEMENT AND THE MUNICIPAL OBLIGATION require the Academy to make Scheduled Installment Payments in amounts sufficient to pay the principal, interest and premium, if any, coming due on the Series 2007 Bonds.

THE INDENTURE authorizes the Trustee to authenticate and deliver the Series 2007 Bonds. The Indenture establishes the following funds: the Bond Fund, the Reserve Fund and the Project Fund. Proceeds of the Series 2007 Bonds in the approximate amount of \$11,171,967.87 will be deposited in the Project Fund and will be applied to the payment of the costs of the Project.

Within the Bond Fund are established a Revenue Account, a State Aid Intercept Account and a Repair and Replacement Account. There shall be deposited in the State Aid Intercept Account of the Bond Fund all Academy Repayments under the Municipal Obligation and the Financing Agreement consisting of Scheduled Installment Payments and Additional Payments which are made pursuant to the State Aid Agreement. Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority: first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Scheduled Installment Payment required to be made by the Academy; second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payments required to be made by the Academy; third, as specified in the Financing Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments required to be made by the Academy (the Trustee being permitted but not required to establish a subaccount for purposes of tracking Scheduled Fee Payments under the Financing Agreement); fourth, an amount of \$5,000 or such lesser amount as is necessary to bring the amount deposited in the Repair and Replacement Account to \$500,000, provided that the maximum amount deposited in any fiscal year shall not exceed \$50,000, shall be deposited in the Repair and Replacement Account and fifth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Scheduled Installment

Payments and Additional Payments (including Reserve Fund Payments, if any) then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Authorizing Body or as otherwise directed by the Authority with the requirements of the Financing Agreement.

A Reserve Fund with respect to the Series 2007 Bonds is established within the Trust Fund by the Trustee under the Indenture and is to be funded from the proceeds of the Series 2007 Bonds in an amount equal to \$1,059,787.50 (the “Reserve Fund Requirement”). The Reserve Fund shall also receive from time to time such additional moneys required to be deposited therein by the Academy pursuant to the Financing Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2007 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2007 Bonds.

AGREEMENT TO SEEK CREDIT RATING. The Academy agrees in the Financing Agreement that it will, upon renewal of its Charter, retain the Underwriters or other management consultant (the “Rating Consultant”) to assess the likelihood that the Academy could obtain from Standard & Poor’s Ratings Group, Moody’s Investors Service or Fitch Ratings (each, a “Rating Agency”) a rating of the Series 2007 Bonds not less than the lowest “investment grade” rating of such Rating Agency. The Academy agrees to provide to the Rating Consultant such information as it may reasonably request in order to assist in making such assessment. If the Rating Consultant determines that such rating is obtainable, the Academy agrees that it will, at its sole expense, solicit and make a good faith effort to obtain such rating and maintain it if obtained.

MANAGEMENT CONSULTANT. In the event that an amount equal to 20% of the Academy’s state aid is not sufficient to make a payment due with respect to the Bonds in any month, the Academy shall promptly employ a Management Consultant. The Management Consultant shall review and analyze the financial statements and condition of the Academy and inspect the Project, its operation and administration, and submit written reports to the Academy and Trustee, and make such recommendations as to the operation and administration of the Academy as such Management Consultant deems appropriate. The Academy agrees to consider any recommendations by the Management Consultant and, to the fullest extent practicable and allowed by law and consistent with its covenants under the Financing Agreement, to adopt and carry out such recommendations.

ACTUAL AND FORECAST STUDENT ENROLLMENT AND PER YEAR FOUNDATION ALLOWANCE. The actual and projected (based upon Bardwell’s experience in managing a similar facility) enrollment in the facility and actual and forecasted State School Aid Allowance per student is as follows:

<u>Fiscal Year Ending</u>	<u>Number of Students</u>	<u>State School Aid Allowance</u>
6/30/07	307	\$7,385
6/30/08	700	7,385
6/30/09	775	7,385
6/30/10	850	7,385
6/30/11	925	7,385

The Academy's Charter currently limits enrollment to 1,000 students. Changes to the Charter require approval by the Sponsor.

THE FINANCIAL FORECAST included in EXHIBIT B – Five (5) Year Financial Forecast (the “Forecast”) is based upon assumptions made by management of the Academy. There are usually differences between the forecasted and actual results, because events and circumstances frequently may or may not occur as expected, and those differences may be material. In addition, the Forecast relates only to the fiscal years of the Academy ending June 30, 2007, through June 30, 2012, and consequently does not cover the entire period that the Series 2007 Bonds may be outstanding. Based upon the Forecast, the following table sets forth the state aid projected to be intercepted by the Trustee and debt service coverage on a fiscal year basis:

	Years Ending					
	2007	2008	2009	2010	2011	2012
State Grant-in-Aid	\$ 2,492,309	\$ 5,169,500	\$ 5,686,450	\$ 6,277,250	\$ 6,868,050	\$ 7,569,625
	20%	20%	20%	20%	20%	20%
Amount Available for Debt Service	498,462	1,033,900	1,137,290	1,255,450	1,373,610	1,513,925
Scheduled Net Debt Service						
Series 2007	-	-	\$ 405,459	\$ 803,732	\$ 1,018,732	\$ 1,016,047
Total Debt Service	-	-	405,459	803,732	1,018,732	1,016,047
Total Debt Service Coverage Ratio	NMN	NMN	2.80	1.56	1.35	1.49

The Forecast contains forecasts of gross revenues, net revenues, cash flows of the Academy and debt service requirements of the Series 2007 Bonds. The following table summarizes the gross revenues, net revenues (inclusive of general fund transfers to the debt service fund) and debt service coverage for each and has been organized to facilitate year-to-year comparison on a fiscal year basis:

	2007	2008	2009	2010	2011	2012
Gross Revenues	\$ 2,492,309	\$ 5,169,500	\$ 5,686,450	\$ 6,277,250	\$ 6,868,050	\$ 7,569,625
Scheduled Net Debt Service	-	-	\$ 405,459	\$ 803,732	\$ 1,018,732	\$ 1,016,047
Gross Revenue Coverage Ratio	NMN	NMN	14.02	7.81	6.74	7.45
Earnings Before Debt Service (Net Revenues)	NMN	NMN	\$ 1,029,480	\$ 1,310,542	\$ 1,586,540	\$ 1,902,210
Scheduled Net Debt Service	NMN	NMN	\$ 405,459	\$ 803,732	\$ 1,018,732	\$ 1,016,047
Net Revenue Debt Service Coverage (X)	NMN	NMN	2.54	1.63	1.56	1.87
Projected Fund Balances	\$ 681,691	\$ 523,570	\$ 599,437	\$ 755,657	\$ 1,189,888	\$ 1,937,673

RISK FACTORS. The purchase of the Series 2007 Bonds involves certain risks. Prospective investors should review all of the information in this Official Statement and appendices carefully prior to purchasing any of the Series 2007 Bonds, including particularly, but without limitation, the section entitled “Risk Factors.”

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The descriptions of the documents in the Official Statement are summaries thereof and reference is made to the actual documents for a complete understanding of the contents of such documents.

The Trustee assumes no responsibilities for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2007 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2007 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2007 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2007 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE AUTHORITY (WITH RESPECT TO THE INFORMATION UNDER THE CAPTIONS “THE AUTHORITY” AND “LITIGATION—THE AUTHORITY” ONLY), THE ACADEMY, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY AND COMPLETENESS, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

THE SPONSOR HAS NOT REVIEWED THIS OFFICIAL STATEMENT, AND DOES NOT ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY OF THE STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT.

OFFICIAL STATEMENT

\$14,370,000

**MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY
LIMITED OBLIGATION REVENUE BONDS
(DAVID ELLIS ACADEMY - WEST PROJECT), SERIES 2007**

INTRODUCTION

This Official Statement (including the cover page and Exhibits) is provided to furnish information in connection with the issuance and sale by the Michigan Public Educational Facilities Authority (the "Authority") of its Limited Obligation Revenue Bonds (David Ellis Academy - West Project), Series 2007 in the aggregate principal amount of \$14,370,000 (the "Series 2007 Bonds"). The Series 2007 Bonds will be limited obligations of the Authority as described under the caption "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS" herein.

The Series 2007 Bonds will be issued under a Trust Indenture, dated as of June 1, 2007 (the "Indenture"), between the Authority and U.S. Bank National Association, as Trustee (the "Trustee"). The proceeds of the Series 2007 Bonds will be used as described below under the caption "THE PROJECT."

David Ellis Academy - West (the "Academy") will finance the acquisition, construction and equipping of the Project (as defined below) pursuant to the terms of a Financing Agreement dated as of June 1, 2007 ("Financing Agreement") between the Authority and the Academy. The Project shall be mortgaged by the Academy to the Trustee by a Future Advance Mortgage dated as of June 1, 2007 (the "Mortgage"), except that a certain portion of the real property purchased with proceeds of the Series 2007 Bonds shall not be subject to the lien of the Mortgage.

The Academy's scheduled installment payments due and payable to the Authority under the Financing Agreement and the School Building and Site Bond, Series 2007 (the "Municipal Obligation"), of the Academy dated June 1, 2007 (the "Scheduled Installment Payments") will be sufficient to pay the principal of, premium, if any and interest on the Series 2007 Bonds when due.

In order to ensure that the Academy will meet its obligations under the Financing Agreement, the Academy has assigned to the Trustee a portion (not exceeding twenty percent (20%) annually) of the funds to be received by the Academy from the State of Michigan (the "State") pursuant to the operation of the State School Aid Act of 1979, Michigan Compiled Laws Section 388.1601, et seq., as amended, ("State School Aid"). Pursuant to the State Aid Agreement (the "State Aid Agreement") dated as of June 1, 2007, by and among the Academy, the Trustee, the Authority, the Bay Mills Community College Board of Regents, as authorizing body and fiscal agent (the "Sponsor") for the Academy, and the State Treasurer of the State (the "State Treasurer"), twenty percent (20%) of the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan shall be paid directly to the Trustee, subject to increase to up to 97% in a given month if the Academy has not made its payment obligations in full. The pledged State School Aid funds are to be used to pay the Academy's obligations under the Financing Agreement and the Municipal Obligation. The Series 2007 Bonds are further secured by the Mortgage.

For the definition of certain words and terms used in this Official Statement, see "EXHIBIT E – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS."

THE PROJECT

The proceeds of the Series 2007 Bonds will be used to finance the acquisition of certain real property located in Redford, Michigan (the “Site”) and the acquisition, renovation, expansion and equipping of a facility located thereon (the “Facility”), together with the refinancing of certain existing indebtedness incurred for the initial renovation of the Facility and certain related project costs (collectively, the “Project”).

The Project will be owned and operated by the Academy as a public school academy.

Related Project costs to which the proceeds of the Series 2007 Bonds will be applied include (a) a deposit to the Reserve Fund for the Series 2007 Bonds; (b) capitalized interest for a period of 18 months and (c) costs of issuance related to the Series 2007 Bonds (collectively the “Project Costs”).

THE SERIES 2007 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY’S SCHEDULED INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS DUE UNDER THE FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY (20%) PERCENT OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE SCHEDULED INSTALLMENT PAYMENTS, RESERVE FUND PAYMENTS AND DEBT SERVICE PAYMENTS ON OTHER LONG-TERM OBLIGATIONS OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE SERIES 2007 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE OF MICHIGAN, THE BAY MILLS COMMUNITY COLLEGE BOARD OF REGENTS (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF MICHIGAN, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE OF MICHIGAN, THE BAY MILLS COMMUNITY COLLEGE BOARD OF REGENTS OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2007 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS” AND “RISK FACTORS” HEREIN.

THE AUTHORITY

The Authority is a public body corporate and politic of the State and is authorized by Executive Order 2002-3, compiled at §12.192 of the Michigan Compiled Laws (“M.C.L.”), 1985 PA 227 and 1985 PA 270, as amended, to issue bonds for the purpose of making loans through the purchase by the Authority of municipal obligations in fully marketable form of a governmental unit or making loans to a nonprofit entity for the benefit of a public school academy.

The Authority is governed by a Board of Trustees (the “Board”). The members of the Board are appointed by the Governor of the State with the advice and consent of the State Senate. The members serve for various terms and may continue to serve until successors are appointed and file the oath of office. The members of the Board are:

Mark J. Burzych

Partner
Foster, Swift, Collins & Smith, P.C.
Lansing, Michigan

Timothy A. Hoffman

Director of Regulatory Affairs

Consumers Energy
Lansing, Michigan

David S. Mittleman

Partner
Church, Kritselis & Wyble, P.C.
Lansing, Michigan

Robert J. Kleine

State Treasurer
Lansing, Michigan

There is currently one vacancy on the Board.

The Indenture provides that the covenants, stipulations, promises, agreements and obligations of the Authority contained in the Indenture are those of the Authority and not of any member of the Board or any officer or employee of the Authority in his or her individual capacity and that no recourse shall be had for the payment of the principal of, premium, if any, or interest on the Series 2007 Bonds or for any claim based thereon or on the Indenture against any member of the Board, any officer or employee of the Authority or any person executing the Series 2007 Bonds.

The Authority is housed within the State Department of Treasury but exercises its statutory functions independently of the State Treasurer. The Authority's address is Richard H. Austin State Office Building, 430 West Allegan Street, Lansing, Michigan 48922, and its telephone number is (517) 335-0994.

The Executive Director of the Authority is Thomas J. Letavis.

The Series 2007 Bonds are limited obligations of the Authority as described in this Official Statement. The Authority is not generally liable on the Series 2007 Bonds or on any other obligation incurred by the Authority under the Indenture or the Financing Agreement. The Series 2007 Bonds are not general obligations and do not constitute debts or pledges against the general credit of the Authority or the credit or taxing power of the State. The Series 2007 Bonds are limited obligations of the Authority, which will, if and when issued, be payable solely through revenues, properties or other funds as described in this Official Statement, the Indenture and the Financing Agreement. No owner of any Series 2007 Bond shall have the right to demand payment of the principal of, premium, if any, or interest on such Series 2007 Bond out of any funds to be raised by taxation. The Authority has no taxing power.

The Authority has not prepared any material for inclusion in this Official Statement except the matters under the heading "THE AUTHORITY" and "LITIGATION—the Authority." The distribution of this Official Statement has been duly approved and authorized by the Authority. Such approval and authorization do not, however, constitute a representation of approval by the Authority of the accuracy or sufficiency of any information contained herein except to the extent of the information contained in this Section.

THE ACADEMY

The Academy is a public school academy operating as a Michigan non-profit corporation and a governmental agency of the State of Michigan, organized pursuant to Part 6A of Chapter 380 of the Michigan Revised School Code (the "School Code"), M.C.L. § 380.501 et. seq. and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. § 450.2101 et. seq.

Campus

The Academy was founded in 2006 and is authorized to offer grades K-8. The Academy currently serves grades four through eight. For the school year beginning fall, 2007, the Academy will offer grades K-8.

Mission

The mission of the Academy is as follows: The Academy, in collaboration with the community, will successfully prepare students for the 21st century in a safe and orderly environment which will teach academic, cultural, social, physical, organizational, conflict resolution and goal setting skills. The staff will assist students in achieving their maximum potential, help students develop positive attitudes and high self-esteem, and enable students to become productive citizens within the community and society at large.

For additional information regarding the Academy, see “EXHIBIT A – DAVID ELLIS ACADEMY - WEST.”

USE OF PROCEEDS

The sources and uses of funds to pay for the Project and Project Costs are estimated to be as follows:

SOURCES OF FUNDS

Par Amount of Bonds	\$14,370,000.00
Accrued Interest from 06/01/2007 to 06/20/2007	<u>44,556.98</u>
TOTAL SOURCES	<u><u>\$14,414,556.98</u></u>

USES OF FUNDS

Deposit to Project Fund	11,171,183.00
Deposit to Bond Fund - Capitalized Interest	1,152,805.73
Deposit to Reserve Fund	1,059,787.50
Total Underwriter's Discount	574,800.00
Costs of Issuance	260,185.00
Original Issue Discount	150,453.90
Deposit to Bond Fund - Accrued Interest	44,556.98
Rounding Amount	<u>784.87</u>
TOTAL USES	<u><u>\$14,414,556.98</u></u>

THE SERIES 2007 BONDS

General

The Series 2007 Bonds will be issuable as fully registered bonds without coupons in denominations of \$100,000 or any integral multiples of \$5,000 in excess thereof (the “Authorized Denominations”). The Series 2007 Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement, subject to redemption prior to maturity, and will bear interest until paid at the rates shown on the inside cover page of this Official Statement, payable semi-annually on June 1 and December 1 of each year, commencing on December 1, 2007 (each an “Interest Payment Date”).

Interest on the Series 2007 Bonds is computed on the basis of a 360-day year comprised of twelve 30-day months. Payments of principal of and premium, if any, with respect to the Series 2007 Bonds will be made upon surrender of the Series 2007 Bonds at the office of the Trustee. Payments of interest on the Series 2007 Bonds will be made by check or draft mailed on or before each Interest Payment Date to the registered owner thereof as of the Record Date at his or her address as it last appears on the registration books of the Trustee irrespective of any transfer or exchange of the Series 2007 Bonds subsequent to the Record Date and prior to such Interest Payment Date. The “Record Date” means the 15th day of the calendar month immediately preceding any Interest Payment Date, or as otherwise specified in a Indenture.

Redemption of Series 2007 Bonds Prior to Maturity

Optional Redemption

The Series 2007 Bonds are subject to redemption at the option of the Authority, as directed in writing by the Academy, in whole or in part at any time on or after June 1, 2017 (and if in part in multiples of \$5,000; provided that no Series 2007 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) and in such order of maturity as the Academy shall direct at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Mandatory Redemption

The Series 2007 Bonds maturing June 1, 2037 are subject to mandatory sinking fund redemption on June 1, 2011 and on each June 1 thereafter, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

Term Bonds Maturing June 1, 2037

Date	Principal
June 1, 2011	215,000
June 1, 2012	225,000
June 1, 2013	240,000
June 1, 2014	255,000

June 1, 2015	270,000
June 1, 2016	285,000
June 1, 2017	300,000
June 1, 2018	320,000
June 1, 2019	335,000
June 1, 2020	355,000
June 1, 2021	375,000
June 1, 2022	400,000
June 1, 2023	420,000
June 1, 2024	445,000
June 1, 2025	475,000
June 1, 2026	500,000
June 1, 2027	530,000
June 1, 2028	560,000
June 1, 2029	595,000
June 1, 2030	630,000
June 1, 2031	665,000
June 1, 2032	705,000
June 1, 2033	750,000
June 1, 2034	790,000
June 1, 2035	840,000
June 1, 2036	890,000
June 1, 2037	2,000,000 ³

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Extraordinary Redemption

The Series 2007 Bonds are subject to extraordinary redemption at the option of the Authority, in whole or in part at any time (and if in part in multiples of \$5,000; provided that no Series 2007 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination) on any date for which notice of redemption can be given, in any order of maturity as determined by the Authority, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, from any funds constituting insurance or condemnation proceeds deposited in the Bond Fund in accordance with the Financing Agreement.

Mandatory Redemption Upon Determination of Taxability

The Series 2007 Bonds are subject to mandatory redemption prior to maturity, as a whole and not in part, on the earliest practicable date for which notice can be given following the occurrence of a Determination of Taxability at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date.

“Determination of Taxability” means a determination that the interest income on any of the Series 2007 Bonds is included in gross income for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

³ Maturity

(a) the day on which the Academy is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that, based upon any filings of the Academy, or upon any review or audit of the Academy, or upon any other grounds whatsoever, the interest on the Series 2007 Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner thereof;

(b) the day on which the Academy receives notice from the Trustee in writing that the Trustee has been advised in writing by any current or former holder or Beneficial Owner of a Series 2007 Bond that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such current or former holder or Beneficial Owner which asserts in effect that the interest on the Series 2007 Bonds received by such current or former holder or Beneficial Owner is includable for federal income tax purposes in the gross income of such current or former holder or Beneficial Owner;

(c) the day on which the Academy is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Series 2007 Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Series 2007 Bond;

(d) the day on which the Academy is advised in writing that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Academy has been given written notice and an opportunity to participate and defend that the interest on the Series 2007 Bonds is includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Series 2007 Bond; or

(e) the date specified in a written opinion to the Academy from Bond Counsel as the day on which interest on the Series 2007 Bonds first became or will become includable for federal income tax purposes in the gross income of any current or former holder or Beneficial Owner of a Series 2007 Bond;

provided, however, no Determination of Taxability shall occur under subparagraph (a), (b) or (c) of this paragraph unless the Academy has been afforded the opportunity, at its expense, to contest any such conclusion and/or assessment after furnishing the Trustee and the Authority, within 30 days after the occurrence of an event described in subparagraph (a), (b) or (c) of this paragraph, with an opinion of a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended to the effect that there is a reasonable likelihood that the Academy will prevail in such contest, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined. The Academy shall promptly notify the Trustee and the Authority of any event described in subparagraph (a), (c), (d) or (e) of this paragraph and shall further promptly notify the Trustee and the Authority of any final determination if the Academy has contested under subparagraph (a), (b) or (c) of this paragraph. The Academy shall be deemed to have been afforded the opportunity to contest the occurrence of a Determination of Taxability if it shall have been permitted to commence and maintain any action in the name of any current or former holder or Beneficial Owner of a Series 2007 Bond to judgment and through any appeals therefrom or other proceedings related thereto.

Notices of Redemption

Notice of redemption shall be given by the Trustee at least thirty (30) days prior to the date fixed for redemption by mail to the registered owner or owners at the registered addresses shown on the

registration books kept by the Trustee. Failure of any owner to receive such notice shall not affect the redemption proceedings. No further interest on the Series 2007 Bonds or portions of Series 2007 Bonds called for redemption shall accrue after the date fixed for redemption, whether such Series 2007 Bonds are presented for redemption or not, provided funds are on hand with the Trustee to redeem the same.

Partial Redemption

If less than all the Outstanding Series 2007 Bonds of any maturity are called for redemption, the Trustee shall select, or arrange for the selection of, the Series 2007 Bonds of such maturity to be redeemed by lot, in such manner as it shall in its discretion determine; provided that any such Series 2007 Bonds selected for redemption shall be in multiples of \$5,000 and no Series 2007 Bond may be redeemed in part if the principal amount to be outstanding following such partial redemption is not an Authorized Denomination. If less than the principal amount of a Series 2007 Bond is called for redemption, the Authority shall execute and the Trustee shall authenticate and deliver, upon surrender of such Series 2007 Bond, without charge to the holder thereof, in exchange for the unredeemed principal amount of such Series 2007 Bond, at the option of such holder, Series 2007 Bonds in any of the Authorized Denominations.

Book-Entry-Only System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007 Bond certificate in typewritten form will be issued for each stated maturity of the Series 2007 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2007 BONDS, REFERENCES HEREIN TO SERIES 2007 BONDHOLDERS, HOLDERS OR OWNERS OF THE SERIES 2007 BONDS (OTHER THAN UNDER THE CAPTION “TAX MATTERS” HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2007 BONDS.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest

rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2007 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2007 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2007 Bonds may wish to ascertain that the nominee holding the Series 2007 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Academy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct participants to whose accounts the Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Series 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participant's accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee, the Authority or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2007 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository); in that event, the Series 2007 Bond certificates will be printed and delivered to the Participants for delivery to the Beneficial Owners. The information in this section concerning DTC and DTC’s book entry system has been obtained from sources that the Authority believes to be reliable, but the Authority assumes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY, THE ACADEMY, THE TRUSTEE, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2007 BONDS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY THE DEPOSITORY OR ANY PARTICIPANT; (ii) THE PAYMENT BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2007 BONDS; (iii) THE DELIVERY OF ANY NOTICE BY THE DEPOSITORY TO ANY PARTICIPANT OR BY ANY PARTICIPANT TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO BONDHOLDERS UNDER THE TERMS OF THE INDENTURE; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2007 BONDS; OR (v) ANY OTHER ACTION TAKEN BY THE DEPOSITORY AS OWNER OF THE SERIES 2007 BONDS.

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS

The descriptions and summaries of the Indenture, the Financing Agreement, the State Aid Agreement, the Mortgage and in “EXHIBIT E – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS” hereto do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. Copies of each document will be available for inspection at the designated office of the Trustee.

General

The Series 2007 Bonds are limited obligations of the Authority and are payable by the Authority solely from the assigned Scheduled Installment Payments and Additional Payments due from the Academy under the Financing Agreement (as described below) and other funds pledged by the Academy under the Indenture. The Academy has pledged to pay the assigned Scheduled Installment Payments and Additional Payments due under the Financing Agreement from State School Aid funds received by the Academy and with respect to this pledge the Academy has entered into a State Aid Agreement relating to the intercept and/or advance of its State School Aid payments. The Series 2007 Bonds are further secured by a Mortgage granting the Trustee a first mortgage lien, subject to permitted encumbrances, on a certain portion of the real property purchased with proceeds of the Series 2007 Bonds and pledging all the Academy’s right, title and interest in and to the mortgaged property as more particularly described below.

THE SERIES 2007 BONDS ARE PAYABLE SOLELY FROM THE ACADEMY'S SCHEDULED INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS AGREED TO BY THE ACADEMY UNDER THE FINANCING AGREEMENT AND OTHER FUNDS PLEDGED THEREFOR PURSUANT TO THE INDENTURE. NO MORE THAN TWENTY PERCENT (20%) OF THE STATE SCHOOL AID RECEIVED BY THE ACADEMY FOR EACH FISCAL YEAR MAY BE LEGALLY AVAILABLE TO PAY THE SCHEDULED INSTALLMENT PAYMENTS, RESERVE FUND PAYMENTS, AND DEBT SERVICE PAYMENTS DUE ON ANY OTHER LONG-TERM OBLIGATIONS OF THE ACADEMY. ALL STATE SCHOOL AID RECEIVED BY THE ACADEMY IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE AND THE LEGISLATURE IS NOT REQUIRED TO APPROPRIATE MONIES FOR SUCH PURPOSE. THE SERIES 2007 BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL, OR MORAL, OF THE STATE, THE BAY MILLS COMMUNITY COLLEGE BOARD OF REGENTS (THE AUTHORIZING BODY OF THE ACADEMY), OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE FULL FAITH AND CREDIT NOR ANY TAXING POWERS OF THE STATE, THE SPONSOR OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE ARE PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST WITH RESPECT TO THE SERIES 2007 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Indenture

The Series 2007 Bonds are to be issued pursuant to the Indenture. All Series 2007 Bonds issued thereunder shall be limited obligations of the Authority, payable solely from and secured solely from payments by the Academy under the Financing Agreement and the funds established under the Indenture. As security for its obligations under the Indenture, the Authority will assign to the Trustee the payments received or receivable by the Authority pursuant to the Financing Agreement (except for certain Unassigned Rights), all funds held by the Trustee under the Indenture and all income derived from the investment of such funds.

The Reserve Fund will be established for the Series 2007 Bonds pursuant to the Indenture and maintained in an amount equal to the Reserve Fund Requirement. Amounts on deposit in the Reserve Fund shall be available for payment of principal of and interest on the Series 2007 Bonds if Scheduled Installment Payments by the Academy, along with other available funds, are not sufficient therefore. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – The Reserve Fund" below.

See "EXHIBIT E – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS" for a description of certain provisions of the Indenture and certain terms defined therein.

The Financing Agreement

The Academy will finance the Project and the Project Costs pursuant to the terms of the Financing Agreement. The Authority's acquisition of the Financing Agreement and Municipal Obligation with the proceeds of the Series 2007 Bonds will assist in the financing of the Academy's acquisition and equipping of the Project.

The Academy's Scheduled Installment Payments and Additional Payments assigned to the Authority under the Financing Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Series 2007 Bonds when due, to make any required deposits into the Reserve Fund, and to pay Series 2007 Bond Servicing Costs. See "EXHIBIT E – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS" for a description of certain provisions of the Financing Agreement and certain terms defined therein.

State School Aid Pledge

Pursuant to the Financing Agreement, the Academy has pledged to pay the Scheduled Installment Payments and Additional Payments due under the Financing Agreement from State School Aid funds to be allocated to it and payable to the Sponsor; provided that the State School Aid applied by the Trustee under the Indenture on behalf of the Academy to pay Scheduled Installment Payments, Reserve Fund Payments and other debt service payments due on long-term obligations of the Academy in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy for such fiscal year.

The Academy agrees with the Authority under the Financing Agreement that if the State School Aid Act is modified to provide for a different schedule of periodic State School Aid payments than that now in effect, the Authority, by written notice to the Trustee, the State Treasurer, the Academy and the Sponsor may designate different payment dates (and, to the extent necessary, different Scheduled Installment Payment amounts) to provide for timely receipt of Scheduled Installment Payments and Additional Payments consistent with such revised State School Aid payment schedule.

Direct Transfer of State School Aid for Payment of the Financing Agreement

Under the Financing Agreement the Academy has agreed to pay the Scheduled Installment Payments and Additional Payments from the State School Aid to be allocated to it and payable to the Sponsor. The Authority and the Academy in the Financing Agreement, and the Authority, the State Treasurer, the Academy and its Sponsor in the State Aid Agreement, agree that the State Treasurer is irrevocably directed to transmit 20% of the Academy's State School Aid payments directly to the Trustee, who shall set aside from such moneys the amount to pay the next Scheduled Installment Payment and Additional Payment of the Academy required under the Financing Agreement when due and then distribute the remainder of such moneys to the Academy's Sponsor for forwarding to the Academy. In the event that any payment by the Academy required by the Financing Agreement is not paid when due, the State Aid Agreement and the Financing Agreement provide that 97% of the Academy's state aid shall be intercepted by the Trustee and applied to payments due under the Financing Agreement, provided that the amounts applied by the Trustee to pay Scheduled Installment Payments, Reserve Fund Payments and other debt service payments due on long-term obligations of the Academy in any fiscal year of the Academy shall not exceed twenty percent (20%) of the amount of State School Aid payable to the Academy for such fiscal year.

If for any reason the amount held by the Trustee on the due date of any Scheduled Installment Payment or Additional Payment is insufficient to pay the Scheduled Installment Payment or Additional Payment due under the Financing Agreement, then in that event the Academy covenants and agrees to use any and all other available funds to satisfy such Scheduled Installment Payment or Additional Payment obligation.

If, on the due date for any Scheduled Installment Payment or Additional Payment, the funds with the Trustee are insufficient to pay the Scheduled Installment Payment or Additional Payment due under the Financing Agreement, the Academy, pursuant to the State School Aid Act to the extent necessary to meet that payment obligation, assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any State School Aid payment to be made to or for the Academy which is dedicated for distribution or for which the appropriation authorizing such payment has been made. Any such advance will be made directly to the Trustee and applied on the following priority

basis: first, the amount required to pay the Scheduled Installment Payment and Reserve Fund Payment due under the Financing Agreement shall be held and applied by the Trustee for that purpose; second, the amount required to pay the Additional Payments due under the Financing Agreement shall be held and applied by the Trustee for that purpose; and third, any remaining amount shall be immediately distributed to the Academy's Sponsor or as otherwise directed by the Authority. The Financing Agreement provides that any such intercept and/or advance process with respect to the Academy shall continue until sufficient funds are deposited with the Trustee to pay all of the Academy's Scheduled Installment Payments and Additional Payments due under the Financing Agreement. Notwithstanding the foregoing, no more than twenty (20%) percent of the State School Aid payments received by the Academy for each fiscal year may be legally available to pay principal and interest on the related Series 2007 Bonds through its Scheduled Installment Payments, Reserve Fund Payments and other debt service payments due on long-term obligations of the Academy.

State School Aid Source

The primary source of revenue received by the Academy is State School Aid which is a per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. See "RISK FACTORS –Legislative and Nonappropriation Risk" herein.

See "EXHIBIT A – DAVID ELLIS ACADEMY - WEST – State Aid Payments" for the Academy's State School Aid per pupil foundation allowance for the 2006-07 fiscal year.

Pursuant to the State School Aid Act, a public school academy's annual entitlement to State School Aid for the 2006-07 fiscal year shall be paid in installments equal to one-eleventh of such entitlement on the 20th (or if the 20th falls on a Saturday, Sunday or legal holiday, on the immediately subsequent regular business day) in each of the months of October through August, subject to certain statutory adjustments.

Pupil Membership Counts

State School Aid is paid to a public school academy on a per pupil basis. The State School Aid Act currently provides that pupil membership is based on a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. The State School Aid Act contains alternative methodologies for determining pupil counts for public school academies which have been in existence less than two years or which have suspended operations for one or more semesters. For school districts, including public school academies, which have pupils enrolled in a grade level that was not offered the prior year, pupil membership counts for that grade level are based on an average of the current September count and the following February supplemental count, all as determined by the Michigan Department of Education. None of the alternative methodologies for determining pupil counts apply to the Academy.

Legislative Changes in the State School Aid Act

The State School Aid Act may be modified by the Michigan Legislature, subject only to certain State constitutional parameters. The amount, timing and methodology for calculation of State School Aid have changed significantly in recent years. State School Aid payments are subject to annual appropriation and future modification by the Michigan Legislature, subject only to such constitutional parameters. See "RISK FACTORS" section, including "Dependence on State Aid Payments; State School Aid Payments Subject to Annual Appropriation," "Delay in Reduction, or Termination of State School Aid," "Changes in Law", and "Legislative and Nonappropriation Risk" herein.

The Reserve Fund

Proceeds from the Series 2007 Bonds shall also be used to establish a Reserve Fund in an amount equal to the Reserve Fund Requirement (\$1,059,787.50), such that if at any time there are not sufficient funds in the Series 2007 Bond Fund established under the Indenture for the payment of principal of, premium, if any, and interest on the Series 2007 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal, premium, if any, and interest then due on the Series 2007 Bonds. If any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund, the Academy shall pay to the Trustee for deposit into the Reserve Fund on each Payment Date commencing with the first Payment Date following such withdrawal, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in eleven consecutive equal installments or such other number of equal installments as the Trustee shall determine necessary to restore the Reserve Fund to the Reserve Fund Requirement by the next Bond Payment Date. If on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay to the Trustee for deposit into the Reserve Fund on each Payment Date, commencing on the first Payment Date following such Bond Payment Date, an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement in full (such payments being "Reserve Fund Payments"). Notwithstanding the foregoing, if there are sufficient funds in the State Aid Intercept Account of the Bond Fund to replenish any deficiency in the Reserve Fund (after taking into consideration the priority of payments set forth in the Indenture), then the obligation to make Reserve Fund Payments in an amount sufficient to restore the Reserve Fund to the Reserve Fund Requirement shall be accelerated and the Trustee shall transfer funds from the State Aid Intercept Account to the Reserve Fund to satisfy all outstanding Reserve Fund Payment requirements in accordance with the Indenture.

The Mortgage

Pursuant to a Future Advance Mortgage dated as of June 1, 2007 placed upon a portion of the Project by the Academy in conjunction with the transaction (the "Mortgage"), as additional security for the Series 2007 Bonds, the Trustee will receive a first mortgage lien, subject to permitted encumbrances, on the Project to secure the payment of the Academy's Scheduled Installment Payments and other payments due under the Financing Agreement. The lien of the Mortgage will encumber only approximately two-thirds of the land purchased with proceeds of the Bonds.

Under the State School Aid Act, property of a public school academy that was acquired substantially with funds appropriated under such Act is required to be transferred to the State by the public school academy in certain events, including revocation of its charter or if its charter has not been reissued by the authorizing body. In such event, the State School Aid Act authorizes the State Treasurer to sell such property and requires the State Treasurer to apply the net proceeds from such sale first to pay any debt of the public school academy secured by such property, and second, to deposit any remaining amount into the State School Aid fund.

There are potential risks relating to environmental liability associated with ownership of or secured lending with respect to real property. The Academy has been provided a Phase I & Limited Phase II Environmental Site Assessment of the portion of the Project subject to the Mortgage (the "ESA"), which determined that there were, as of the time of initial investigation of the property, two underground storage tanks ("USTs"), previously used to fuel boilers, present on the property. One of the USTs (the 500-gallon tank) was removed from the site on February 28, 2007 and the other (a 5,000-gallon tank) will be closed in place because removal would be expected to cause damage to the school building. Soil samples collected at the location of each UST revealed certain non-detectable contaminant concentrations and detectable impacts of several parameters, none in excess of Part 201 Generic Cleanup Criteria. Other than the USTs, the ESA reported no evidence of recognized environmental conditions on

the interior or exterior of the Project. The Academy has also caused to be conducted as Asbestos Containing Material (ACM) Survey, as required by the Sponsor. When hazardous substances are found on real property, owners or secured lenders may be held liable for costs and other damages relating to such hazardous substances unless they comply with provisions of law designed to provide them with liability protection. The Trustee as mortgagee on behalf of the Bondholders may avoid such liability with respect to the Project, if it does not directly participate in the ownership or management of the Project. See “RISK FACTORS – Environmental Regulation” herein.

Certain Financial Information Concerning the State

Complete financial statements of all of the State’s funds as included in the State’s Comprehensive Annual Financial Report (“CAFR”) prepared by the State’s Office of the State Budget are available from the Office of the State Budget website at www.michigan.gov/budget. The State has agreed to file its CAFR with the Nationally Recognized Municipal Securities Information Repositories and the State Information Depository (as described in Rule 15c2-12(b)(5) of the Securities and Exchange Commission) annually.

Limited Obligation

Neither the Authority nor the State of Michigan nor the Sponsor shall be obligated to pay the Series 2007 Bonds or the interest thereon or other costs incident thereto, except that the Authority shall be obligated to make such payments solely from the security for the Series 2007 Bonds described below. See “EXHIBIT E – SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS – The Indenture – Security” herein. Neither the faith and credit of the Authority or the Sponsor nor the taxing power of the State of Michigan is pledged to the payment of the principal of, premium, if any, or the interest on, the Series 2007 Bonds. The Series 2007 Bonds are not general obligations of the Authority, but are limited obligations payable solely from certain amounts payable by the Academy under the Financing Agreement and other moneys pledged therefor under the Indenture. The Authority has no taxing power.

CHARTER SCHOOLS IN MICHIGAN

General

In December of 1993, Michigan became the ninth state to pass charter school legislation. The current charter school statute is codified in the Revised School Code, M.C.L. § 380.501 – 380.507. In Michigan, charter schools are known as public school academies. A public school academy is a state-supported public school that is funded through the State School Aid Act (1979 PA 94, as amended, M.C.L., 388.1601, *et. seq.*) and receives funding through a per pupil base foundation allowance. See “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS – State School Aid Source” herein.

As of October, 2006 there were 230 public school academies operating in 314 school buildings in Michigan⁴. These public school academies are authorized as follows: 150 by public universities, 30 by intermediate school districts, 37 by community colleges and 13 by local education agencies. These charter schools serve approximately 125,000 students, or roughly 7.25% of Michigan’s public school students. Since the inception of the State’s charter school program, 30 charter schools have been closed

⁴ Source: Michigan Department of Education, Directory of Public School Academies. URL: http://www.michigan.gov/documents/Counts_55505_7.pdf

(six have had their charters terminated or revoked; 16 have had their charters not renewed and seven have either never opened or voluntarily dissolved).⁵

Michigan Supreme Court Upholds Law

The Michigan Supreme Court ruled 5-1 on July 30, 1997 that Michigan's original public school academy law was constitutional. The Court ruled that "1993 PA 362 does not violate Constitution 1963, article 8 section 2 or section 3. Further, the 1994 PA 416 repealer is valid and enforceable, requiring remand to the trial court for vacation of the injunction and entry of an order to the Department of Treasury to disburse funds to the public school academies operating under 1993 PA 362." *Council of Organizations and Others for Educ. about Parochialism, Inc. v. Michigan Dept. of Educ. et. al.*, 455 Mich. 557, 556 N.W.2d 208 (Mich. 1997).

Michigan School Finance Reform

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition ("Proposal A") to amend the State Constitution of 1963, in part, to increase the state sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in Michigan in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among all school districts. The state aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation allowance beginning in the fiscal year 1994/1995. The proposed foundation allowance in 2005/2006 was from \$6,875 to \$8,000 per pupil, depending upon the district's 1993/1994 revenue. On August 15, 2006, enrolled Senate Bill 1095 was signed by the Governor and enacted into law as P.A. 342 of 2006. The school aid budget, which funds K-12 education, totals \$13.1 billion, a \$336.6 million increase from the fiscal year 2005-06 and increases the per-pupil allowance by \$210 per student. As a result of P.A. 342 of 2006, the Academy receives \$7,385 per student for fiscal year 2007.

In following years the foundation allowance may be adjusted by an index based upon the change in revenues to the state school aid fund and change in the total number of pupils statewide and the spread between high and low pupil allowance will be reduced. For public school academies, which have no taxing authority, the foundation allowance consists of State School Aid. The source of revenues for State School Aid is derived from a mix of taxing sources, including, but not limited to, a statewide property tax of 6 mills on all property (homestead and non-homestead), a state sales and use tax, a real estate transfer tax and a cigarette tax.

State School Aid appropriations and the payment schedule for State School Aid can be changed by the Legislature at any time.

DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required for payment of principal of and interest on the Series 2007 Bonds.

⁵ Source: http://www.michigan.gov/documents/Closed_55511_7.pdf. (One school's reason for closure does not fit within the categories described above.)

Payment Date	Principal	Interest	Semi-annual Debt Service	Annual Debt Service
December 1, 2007	-	422,118.75	422,118.75	422,118.75
June 1, 2008	-	422,118.75	422,118.75	
December 1, 2008	-	422,118.75	422,118.75	844,237.50
June 1, 2009	-	422,118.75	422,118.75	
December 1, 2009	-	422,118.75	422,118.75	844,237.50
June 1, 2010	-	422,118.75	422,118.75	
December 1, 2010	-	422,118.75	422,118.75	844,237.50
June 1, 2011	215,000.00	422,118.75	637,118.75	
December 1, 2011	-	415,803.13	415,803.13	1,052,921.88
June 1, 2012	225,000.00	415,803.13	640,803.13	
December 1, 2012	-	409,193.75	409,193.75	1,049,996.88
June 1, 2013	240,000.00	409,193.75	649,193.75	
December 1, 2013	-	402,143.75	402,143.75	1,051,337.50
June 1, 2014	255,000.00	402,143.75	657,143.75	
December 1, 2014	-	394,653.13	394,653.13	1,051,796.88
June 1, 2015	270,000.00	394,653.13	664,653.13	
December 1, 2015	-	386,721.88	386,721.88	1,051,375.01
June 1, 2016	285,000.00	386,721.88	671,721.88	
December 1, 2016	-	378,350.00	378,350.00	1,050,071.88
June 1, 2017	300,000.00	378,350.00	678,350.00	
December 1, 2017	-	369,537.50	369,537.50	1,047,887.50
June 1, 2018	320,000.00	369,537.50	689,537.50	
December 1, 2018	-	360,137.50	360,137.50	1,049,675.00
June 1, 2019	335,000.00	360,137.50	695,137.50	
December 1, 2019	-	350,296.88	350,296.88	1,045,434.38
June 1, 2020	355,000.00	350,296.88	705,296.88	
December 1, 2020	-	339,868.75	339,868.75	1,045,165.63
June 1, 2021	375,000.00	339,868.75	714,868.75	
December 1, 2021	-	328,853.13	328,853.13	1,043,721.88
June 1, 2022	400,000.00	328,853.13	728,853.13	
December 1, 2022	-	317,103.13	317,103.13	1,045,956.26
June 1, 2023	420,000.00	317,103.13	737,103.13	
December 1, 2023	-	304,765.63	304,765.63	1,041,868.76
June 1, 2024	445,000.00	304,765.63	749,765.63	
December 1, 2024	-	291,693.75	291,693.75	1,041,459.38
June 1, 2025	475,000.00	291,693.75	766,693.75	
December 1, 2025	-	277,740.63	277,740.63	1,044,434.38
June 1, 2026	500,000.00	277,740.63	777,740.63	
December 1, 2026	-	263,053.13	263,053.13	1,040,793.76
June 1, 2027	530,000.00	263,053.13	793,053.13	
December 1, 2027	-	247,484.38	247,484.38	1,040,537.51
June 1, 2028	560,000.00	247,484.38	807,484.38	
December 1, 2028	-	231,034.38	231,034.38	1,038,518.76
June 1, 2029	595,000.00	231,034.38	826,034.38	
December 1, 2029	-	213,556.25	213,556.25	1,039,590.63
June 1, 2030	630,000.00	213,556.25	843,556.25	
December 1, 2030	-	195,050.00	195,050.00	1,038,606.25
June 1, 2031	665,000.00	195,050.00	860,050.00	
December 1, 2031	-	175,515.63	175,515.63	1,035,565.63
June 1, 2032	705,000.00	175,515.63	880,515.63	
December 1, 2032	-	154,806.25	154,806.25	1,035,321.88
June 1, 2033	750,000.00	154,806.25	904,806.25	

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-annual Debt Service</u>	<u>Annual Debt Service</u>
December 1, 2033	-	132,775.00	132,775.00	1,037,581.25
June 1, 2034	790,000.00	132,775.00	922,775.00	
December 1, 2034	-	109,568.75	109,568.75	1,032,343.75
June 1, 2035	840,000.00	109,568.75	949,568.75	
December 1, 2035	-	84,893.75	84,893.75	1,034,462.50
June 1, 2036	890,000.00	84,893.75	974,893.75	
December 1, 2036	-	58,750.00	58,750.00	1,033,643.75
June 1, 2037	2,000,000.00	58,750.00	2,058,750.00	2,058,750.00

LIMITATION ON ADDITIONAL INDEBTEDNESS AND ADDITIONAL BONDS

The Authority reserves the right to issue Additional Bonds, upon the request of the Academy with such approvals as required by the Enabling Legislation, without limit in one or more series for the acquisition, construction and/or renovation of facilities to be used by the Academy and for such other purposes set forth in, and subject to the requirements, of the Financing Agreement. Additional Bonds shall be of the same priority as the Series 2007 Bonds and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, but the Additional Bonds shall bear such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy. No Additional Bonds shall be issued unless the following conditions are met:

(a) The Financing Agreement, the State Aid Agreement and the Mortgage shall be in effect and no “event of default,” as such term is defined in the Financing Agreement and the Mortgage, shall exist thereunder; and

(b) The interest on the Series 2007 Bonds, all Outstanding Bonds and all Additional Bonds shall not be includable in gross income of the recipient for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the Code), and the Trustee shall have been furnished an opinion of an attorney or firm of attorneys nationally recognized as bond counsel to such effect; and

(c) There shall have been furnished to the Trustee a supplement to the Financing Agreement providing for additional Scheduled Installment Payments or a new agreement providing for additional payments sufficient to pay the principal of and interest on the Additional Bonds when due and supplements or amendments to the Mortgage and State Aid Agreement, if required, providing for the security of the Additional Bonds on a parity with the Outstanding Bonds; and

(d) There shall have been furnished to the Trustee a certificate of an Authorized Officer of the Academy to the effect that the proceeds of the Additional Bonds, together with any additional funds supplied or to be supplied from any source, will be sufficient to complete the cost of the project for which such Additional Bonds are issued; and

(e) There shall be given to the Trustee evidence of compliance with the requirements of Section 304 of the Financing Agreement relating to the issuance of Additional Bonds, and such other certificates, affidavits, documents or opinions as the Trustee may reasonably request; and

(f) Upon issuance of such Additional Bonds, there shall be deposited in the Reserve Fund an amount necessary to cause the amount therein to equal the Reserve Fund Requirement and the maximum

additional amount permitted under the Code to be deposited therein with respect to such Additional Bonds; and

(g) The proceeds of the Additional Bonds are to be used to finance the improvement of the Project or the acquisition or installation of equipment therein or the acquisition, construction and/or renovation of, an additional school facility of the Academy and/or the acquisition or installation of equipment thereon, and the Academy obtains a written report from an independent consultant satisfactory to the Trustee who is not within the regular employ of the Academy and has a reputation for skill and experience in such work, which report sets forth and states the estimated Scheduled Installment Payments which will be available for deposit in the State Aid Intercept Account for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, will not be less than one hundred twenty-five percent (125%) of the maximum Principal and Interest (less investment proceeds reasonably expected to be available for payment of debt service) to become due on Series 2007 Bonds and the proposed Additional Bonds, as the case may be, in any fiscal year after which such improvements, additions, equipment or new facilities are expected to be placed in service; and

(h) The report of independent consultant obtained pursuant to clause (g) above also provides a statement of projected revenues and expenditures of the Academy for each of the three fiscal years following the fiscal year in which it is estimated the improvements, additions, equipment or new facilities financed by the Additional Bonds are to be placed in service, showing that projected revenues will exceed projected expenditures in each such fiscal year; and

(i) The deposits in the State Aid Intercept Account in the fiscal year prior to the issuance of the Additional Bonds shall have been sufficient to pay the minimum annual Scheduled Installment Payments theretofore required to be paid while the Series 2007 Bonds are Outstanding and would have been sufficient to pay, in addition, the maximum additional Scheduled Installment Payments and other amounts to become due on the Series 2007 bonds and the proposed Additional Bonds (less investment proceeds reasonably expected to be available for payment of debt service), in each fiscal year if such maximum additional Scheduled Installment Payments had been due during such period.

The Academy covenants and agrees that for so long as any Series 2007 Bond remains Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation on a parity with or superior to the Series 2007 Bonds and secured by the Security, except as provided in the Financing Agreement. The Academy further covenants and agrees that for so long as any Series 2007 Bonds remains Outstanding under the Indenture, the Academy shall not issue any debt or incur any obligation payable wholly or in part from (i) moneys, funds, accounts, investments or (2) any other assets of the Academy not comprising State grant-in-aid revenues without the prior written consent of the Trustee, except:

- (a) obligations incurred in the ordinary course of business;
- (b) obligations contained in the Management Agreement between the Academy and Bardwell Group, Inc. dated August 9, 2006, as amended;
- (c) state aid notes (including state aid note lines of credit) issued pursuant to Act No. 451, Public Acts of Michigan, 1976, as amended;
- (d) purchase money obligations secured by the property being financed; and
- (e) obligations incurred pursuant to and in compliance with federal and other charitable grants.

ACADEMY INFORMATION REPORTING REQUIREMENTS

In addition to providing audited financial statements (See “CONTINUING DISCLOSURE” below and EXHIBIT H - FORM OF CONTINUING DISCLOSURE AGREEMENT” herein), the Academy agrees to file directly with the Underwriters, the Trustee and, upon request, to each beneficial owner of not less than 25% in aggregate principal amount of the Series 2007 Bonds then outstanding: (i) within 150 days after the end of each fiscal year, audited financial statements of the Academy for such fiscal year, (ii) no later than ten (10) business days after submission thereof, the pupil count number furnished by the Academy as the basis for calculation and receipt of state aid, (iii) within 45 days after the end of each fiscal quarter, unaudited financial statements of the Academy for such fiscal quarter and cumulative for all fiscal quarters in such Fiscal Year to date; (iv) all Material Facts, as defined in the Continuing Disclosure Agreement, if any, disclosed at the same time as such disclosure is made; (v) upon request, within ten (10) business days of the beginning of each month, current enrollment data; (vi) within ten (10) business days of any change thereto, the amount of state aid allocated to the Academy; (vii) within ten (10) business days after adoption by the Board, the annual budget of the Academy; (viii) any notice of non-compliance, or similar notification, from either the State or the authorizing body; and, (ix) within ten (10) business days of a written request therefor from the Underwriters, the Authority and the Trustee copies of any previously created or existing document, report or information reasonably relating to the transactions described herein.

RISK FACTORS

This Official Statement contains summaries of pertinent portions of the Series 2007 Bonds and the Indenture. Such summaries and references are qualified in their entirety by reference to the full text of such documents. The following discussion of some of the risk factors associated with the Series 2007 Bonds is not, and is not intended to be, exhaustive, and such risks are not necessarily presented in the order of their magnitude.

Speculative Investment; Absence of Rating

Purchase of the Series 2007 Bonds involves a high degree of risk and the Series 2007 Bonds are a speculative investment. The Series 2007 Bonds are not rated by a nationally recognized rating agency. Typically, unrated bonds lack liquidity in the secondary market. Any investor who, because of financial condition, is unable to bear the loss of an investment in the Series 2007 Bonds, or who, because of investment policies or otherwise, does not desire to assume, or have the ability to bear, the risks inherent with an investment in the Series 2007 Bonds, should not purchase the Series 2007 Bonds. See also “RISK FACTORS – Sufficiency of Revenues,” below.

The Series 2007 Bonds may exhibit price fluctuations due to the changes in interest rate or bond yield levels. As a result, the value of the Series 2007 Bonds may fluctuate significantly in the short-term. Further, such securities have a less liquid resale market. As a result, potential investors may have difficulty selling or disposing of the Series 2007 Bonds quickly in certain markets or market conditions.

Sufficiency of Revenues

The Series 2007 Bonds are secured by and payable solely from revenues of the Academy pledged under the terms and conditions of the Indenture and as otherwise described therein. Based on present circumstances (i.e., its Charter and operating history), and assuming additional enrollment and capacity after acquisition, renovation and equipping of the Project, the Academy believes it will generate sufficient revenues to meet its obligations under the Indenture. However, the Academy’s Charter may be terminated or not renewed, or the basis of the assumptions utilized by the Academy to formulate this

belief may otherwise change and no representation or assurance can be made that the Academy will continue to generate sufficient revenues to meet its obligations.

The Academy's Charter currently limits enrollment to 1,000 students. Changes to the Charter require approval by the Sponsor.

Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation

The Academy may not charge tuition and has no taxing authority. The primary source of revenue received by the Academy is the per pupil foundation allowance provided by the State for all public schools (including public school academies). The amount of State School Aid received by any individual school (including the Academy) is based upon its per pupil enrollment. The amount of State School Aid available in any year to pay the per pupil allowance is subject to appropriation by the Michigan Legislature. The Legislature may not appropriate funds, or may not appropriate funds in a sufficient amount, to enable the Academy to pay debt service on the Series 2007 Bonds and to meet its general operating expenses. Similarly, the State allocation per student could be reduced or not keep pace with expenses such that the aggregate State School Aid payments to the Academy is inadequate to allow the Academy to pay its operating expenses and debt service on the Series 2007 Bonds. No liability shall accrue to the State in such event, and the State will not be obligated or liable for any future payments or any damages in such event. In the event the State were to withhold the payment of monies from the Academy for any reason, even a reason that is ultimately determined to be invalid or unlawful, it is likely the Academy would be forced to cease operations.

Delay in, Reduction or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of State School Aid payments would have a material adverse effect on the ability of the Academy to make debt service payments on the Series 2007 Bonds. The Michigan legislature is required to balance the budget and if it does not, the proration provisions of the School Aid Act become effective. The proration provisions essentially roll back the foundation allowance. Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given year, then the State must prorate certain payments to school districts in order to eliminate the shortfall. These provisions resulted in a \$127 million school aid shortfall in fiscal year 2003 and an annualized prorated 3.8% across the board cut applied to all State spending categories except those specifically protected by law. On August 15, 2006, enrolled Senate Bill 1095 was signed by the Governor and enacted into law as P.A. 342 of 2006. The school aid budget, which funds K-12 education, totals \$13.1 billion, a \$336.6 million increase from the fiscal year 2005-06 and increases the per-pupil allowance by \$210 per student. As a result of P.A. 342 of 2006, the Academy receives \$7,385 per student for 2006/2007. No representation can be made that future fiscal periods will not be subject to similar budget shortfalls.

Changes in Law

The School Aid Act is subject to modification by the Michigan Legislature, subject only to certain constitutional parameters. The amount, timing and methodology for calculation of State School Aid has changed significantly in recent years, and is subject to future legislative changes.

Further, the Michigan Legislature has amended the charter school laws since they were first enacted in 1993. Future amendments to the law may adversely affect the Academy, for example, by reducing the maximum amount payable by the State for students enrolled by the Academy, by limiting the amount of such State School Aid payments that may be pledged to obligations such as the Series 2007 Bonds, by withholding a percentage of the State School Aid payments if a charter school is deemed not to

be in compliance with its charter or state and federal laws, by decreasing the maximum length of a charter contract's term, by requiring a state body to make an assessment of each school's effectiveness every year, by limiting the number of students for which State funds are available, by mandating new facilities or programs which may cost more than has been projected, by revising the relative responsibilities between school districts and the State for financing schools (including charter schools) or by eliminating the authority for charter schools.

Economic and Other Factors

Future economic and other factors may adversely affect the Academy's revenues and expenses and, consequently, the Academy's ability to make debt service payments under the Indenture. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the Academy at optimum levels for each grade level; the ability of the Academy to provide the education desired and accepted by the population served; economic developments in the affected service area; diminution of the Academy's reputation in its field; competition from other educational institutions, including other charter schools, private schools and public schools; lessened ability of the Academy to attract and retain qualified teachers and staff at salaries that permit payment of debt service and expenses; increased costs associated with technological advances; changes in government regulation of the education industry or in the Michigan charter school statutes; future claims for accidents at the Academy's sites and the extent of insurance coverage for such claims; decrease in per-student funding amounts by the State; and the occurrence of natural disasters such as floods.

Limited Operating History; Reliance on Projections

The ability of the Academy to make debt service payments when due is dependent on State School Aid payments to be received by the Academy as payment for educating students. The Academy has only conducted operations since fall, 2006. The projections of revenues and expenses contained in "EXHIBIT A – DAVID ELLIS ACADEMY - WEST," herein, were prepared by the Academy's auditor on behalf of the Academy and has not been independently reviewed or verified by any other party. In particular, the Underwriter has not independently verified such projections, and makes no representations nor gives any assurances that such projections, nor the assumptions underlying them, are complete or correct. Further, the projections relate only to the fiscal years of the Academy ending June 30, 2007 through 2012 and consequently do not cover the entire period that the Series 2007 Bonds will be outstanding.

The projections are derived from the actual operation of the Academy and from the Academy's assumptions about future student enrollment and expenses. There can be no assurance that the actual enrollment revenues and expenses for the Academy will be consistent with the assumptions underlying the projections contained herein. Moreover, no guarantee can be made that the projections of revenues and expenses contained herein will correspond with the results actually achieved in the future because there is no assurance that actual events will correspond with the assumptions made by the Academy. Actual operating results may be affected by many factors, including, but not limited to, increased costs, lower than anticipated revenues (as a result of insufficient enrollment, reduced State School Aid funds, or otherwise), employee relations, changes in taxes, changes in applicable government regulation, changes in demographic trends, changes in elementary education competition and changes in local or general economic conditions. Refer to "EXHIBIT A – DAVID ELLIS ACADEMY - WEST," to review certain of the projections and to consider the various factors that could cause actual results to differ significantly from projected results.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE

ASSUMPTIONS MADE BY THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID FUNDS, OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

The Academy's Operation as a Public School Academy

The Academy is a body corporate and governmental agency formed under the laws of the State of Michigan. Prior to the issuance of the Series 2007 Bonds, the Academy has had limited operating history as a public school academy. The Academy has limited assets other than its interest in the Project and its interests in the real and personal property, as those interests may be, at its campus. No assurance can be given that the Academy will be able to operate as a public school academy in a manner that will generate sufficient revenues to meet the debt service requirements of the Series 2007 Bonds. A public school academy may not charge tuition to a student attending the academy. Public school academies receive State funding on a per pupil basis to support their operations. See "CHARTER SCHOOLS IN MICHIGAN –Michigan School Finance Reform" herein.

Since the Academy has limited assets other than its interest in the Project and its interests in the real and personal property, as those interests may be, at its campus, its failure to derive revenues sufficient to meet its obligations under the Financing Agreement would materially impair the Academy's ability to make the Scheduled Installment Payments or other payments under the Financing Agreement when due. If there is a shortfall in State School Aid that renders the Academy unable to pay the Scheduled Installment Payments in full, the failure to make Scheduled Installment Payments in full would constitute an event of default under the Financing Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS - The Financing Agreement" herein.

The Nature of the Forecast

The projected enrollment and the Forecast included in "EXHIBIT B – FIVE-YEAR FINANCIAL FORECAST" (the "Forecast") is based upon assumptions made by management of the Academy which are summarized in EXHIBIT A and EXHIBIT B. There are usually differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. In addition, the Forecast relates only to the fiscal years of the Academy ending June 30, 2007 through June 30, 2012, and consequently does not cover the entire period that the Series 2007 Bonds may be outstanding. Prospective investors in the Series 2007 Bonds should read "EXHIBIT B – FIVE-YEAR FINANCIAL FORECAST" in its entirety.

NO GUARANTEE CAN BE MADE THAT THE FORECAST WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY MANAGEMENT OF THE ACADEMY. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED REVENUES (AS A RESULT OF INSUFFICIENT ENROLLMENT, REDUCED STATE SCHOOL AID FUNDS, CONCESSIONS OR OTHERWISE), EMPLOYEE RELATIONS, CHANGES IN TAXES, CHANGES IN APPLICABLE GOVERNMENTAL REGULATION, CHANGES IN DEMOGRAPHIC TRENDS, CHANGES IN ELEMENTARY AND SECONDARY EDUCATION GENERALLY, COMPETITION AND LOCAL OR GENERAL ECONOMIC CONDITIONS.

Assumptions Regarding Enrollment and State School Aid

Larry Wilkerson & Associates, P.C., has prepared the Forecast for the Academy. The Forecast contains information material to a decision to purchase the Series 2007 Bonds and should be read by potential investors in its entirety. The Forecast contains: (a) forecasts of State School Aid and other sources of revenues, and foundation allowance, (b) projections of future student enrollment, (c) forecasts of expenditures, and (d) debt service requirements of the Series 2007 Bonds. The Forecast sets forth a number of assumptions on which the Forecast is based, including but not limited to, the projected enrollment of the Academy and the per student amounts to be paid by the State. Such assumptions are based on present circumstances and information currently available, which was furnished by Bardwell and the Academy, as well as other sources. Such information may be incomplete and may not necessarily disclose all material facts that might affect the Academy and the analysis contained in the Forecast. Accordingly, prospective investors should carefully evaluate the assumptions and other information in the Forecast in the light of the circumstances then prevailing. The Forecast has been included herein in reliance upon the knowledge and experience of Bardwell. The accuracy of the Forecast is dependent on the occurrence of specified assumptions and other future events, which cannot be assured, and therefore, the actual results achieved during the period will vary from those forecast and those differences may be material and adverse. See “EXHIBIT B – FIVE-YEAR FINANCIAL FORECAST.” The Underwriter has not independently verified the statistical data included therein and makes no representations nor gives any assurances that such data are complete or correct. Further, the Underwriter makes no representations nor gives any assurances that the assumptions incorporated in the Forecast are valid. The ability of the Academy to achieve and maintain on a continuing basis financially sustaining levels of enrollment at the Academy is subject to a number of factors. The ability of the Academy to attract students on a continuing basis will be dependent on many factors including, but not limited to, the physical condition of the Project and its other facilities, the programs provided for students, and the supply of other public, private and charter schools in the community in which its campus is located. The Academy’s Charter currently limits enrollment to 1,000 students. Changes to the Charter require approval by the Sponsor. In addition, the Forecast is only for the five fiscal years ending June 30, 2012 and, consequently, does not cover the entire period during which the Series 2007 Bonds may be outstanding.

Any event that would cause a delay, reduction or elimination of the State School Aid would have a material adverse effect on the ability of the Academy to make payments due under the Financing Agreement, including, but not limited to Scheduled Installment Payments and Additional Payments, coming due thereafter. See “RISK FACTORS,” including the subsections captioned “Dependence on State School Aid Payments; State School Aid Payments Subject to Annual Appropriation”; “Delay in, Reduction, or Termination of State School Aid”; and “Legislative and Nonappropriation Risk” herein.

Section 11 of the School Aid Act states that if appropriations exceed the amount available for expenditure from the School Aid Fund in any given fiscal year, then the State must prorate certain payments to school districts in order to eliminate the shortfall. These provisions resulted in a \$127 million school aid shortfall in fiscal year 2003 and an annualized prorated 3.8% across the board cut applied to all State spending categories except those specifically protected by law. On August 15, 2006, enrolled Senate Bill 1095 was signed by the Governor and enacted into law as P.A. 342 of 2006. The school aid budget, which funds K-12 education, totals \$13.1 billion, a \$336.6 million increase from the fiscal year 2005-06 and increases the per-pupil allowance by \$210 per student. As a result of P.A. 342 of 2006, the Academy receives \$7,385 per student for 2006/2007.

Existing and Prospective Operations Generally

The revenues and expenses associated with the existing and prospective operations of the Academy will be affected by future events and conditions relating generally to, among other things, demand in the Academy's service area for educational services, the ability of the Academy to continue to provide the kinds of facilities and educational services desired or required by the student population, economic developments in the affected service area, competition from existing or future facilities and providers, the ability of the Academy to maintain high enrollment levels in the Project and the ability to continue to receive State School Aid sufficient for the payment of all related costs of operation.

The Academy is a public school academy and unlike traditional public schools, does not have an existing base of constituents from which pupils are drawn. As of September, 2006, the number of full-time students enrolled for the 2006-2007 school year was 307. The Project has a capacity of in excess of 1,000 students and the Academy will have to attract and maintain a large student population to generate revenue to pay operating costs and debt service. In order to increase its enrollment above 1,000 students, the Academy will have to seek an amendment of its Charter, required to be approved by the Sponsor. State School Aid received by the Academy from the State of Michigan is allocated on a per pupil basis. The Academy is subject to competition from other schools in its service area providing similar or comparable services and no assurance can be given that the Academy will be able to attract and maintain students adequate in number to provide sufficient revenues to pay amounts due under the Financing Agreement. There are competing public schools, private schools and public school academies in the Academy's service area and there can be no assurance that additional competing facilities will not be established or constructed in the future.

No assurances can be given that the Academy will continue to have funds for the payment of amounts due under the Financing Agreement, including the Scheduled Installment Payments. Accordingly, the likelihood that there will be sufficient funds to pay the principal of, premium, if any, and interest on the Series 2007 Bonds is dependent upon certain factors which include, but are not limited to, (a) the continuing need of the Academy for the Project, (b) the ability of the Academy to obtain funds (including State School Aid) to pay obligations associated with the Financing Agreement, (c) the demographic conditions within the service area of the Academy, and (d) the value of the Project and other assets of the Academy upon foreclosure sale under the Mortgage instituted by the Trustee pursuant to the Indenture and Mortgage and upon exercise of the remedies available under the Financing Agreement and the Indenture. A certain portion of the real property to be acquired with proceeds of the Series 2007 Bonds will not be subject to the lien of the Mortgage.

Competition for Students

The Academy will be competing for students with local school districts, within the geographic boundaries of which its campus is located, and with surrounding school districts, as well as private schools within or near the school districts. The Academy's students may come from anywhere within the State. The Intermediate school district in which the Academy is located is Wayne R.E.S.A., serving more than 363,220 students⁶. Wayne R.E.S.A. is a regional educational service agency that provides a broad spectrum of services and support to Wayne County's 34 school districts aimed at improving student achievement and maximizing economies of scale in staff development, purchasing, and administrative services. Services range from curriculum consulting and staff development, helping districts maximize technology use in the classroom, software applications for district student and administrative services, group purchasing and more.⁷ The Academy is not the only public school academy located in the

⁶ State of Michigan, State Aid Financial Status Report. URL – http://www.Michigan.gov/documents/ALL0413_106196_7.pdf.

⁷ Source: Wayne R.E.S.A. URL: <http://www.resa.net>

geographic area of Wayne R.E.S.A. The Academy competes with these other public school academies, nearby local school districts and private schools for students.

Public School Academies Generally

The operations of the Academy relate primarily to the ownership and operation of a public school academy with campus located in Redford, Michigan. Such operations are dependent on sufficient demand for such facilities, adequate revenues from enrollment at the facilities and control of expenses. The operation of a public school academy is highly regulated through the Charter, the Sponsor, and the Michigan Department of Education. A public school academy may not charge tuition to a student attending the academy. The failure of the Academy to meet the requirements of the regulations, termination, revocation or nonrenewal of the Academy's Charter by the Sponsor, or its designee, or the inability to secure a charter from another authorizing body would have a material adverse effect on the ability of the Academy to make Scheduled Installment Payments. See "RISK FACTORS – Revocation or Nonrenewal of Charter."

Factors Associated with Education

There are a number of factors affecting elementary and secondary school education in general, including the Academy, which could have an adverse effect on the Academy's financial position and its ability to make Scheduled Installment Payments and other payments required under the Financing Agreement. These factors include, but are not limited to, increasing costs of compliance with federal or state regulatory laws or regulations, including, without limitation, the No Child Left Behind Act of 2001, laws or regulations concerning environmental quality, work safety and accommodating persons with disabilities; any unionization of the Academy's work force with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and legislation or regulations which may affect program funding. The Academy cannot assess or predict the ultimate effect of these factors on its operations or its ability to make the Scheduled Installment Payments and other payments due under the Financing Agreement.

Compliance with the No Child Left Behind Act of 2001

In accordance with the No Child Left Behind Act of 2001 ("NCLB"), available at URL: <http://www.ed.gov/policy/elsec/leg/esea02/index.html>, on August 24, 2006, the Michigan Department of Education published a list of schools identified as not making Adequate Yearly Progress ("AYP") in mathematics and/or English language arts. In compliance with NCLB, schools that are identified for improvement, not having met AYP for each of the next two years, must develop a two-year school improvement plan and submit a revised school improvement plan for review and approval. They must also use at least 10 percent of their Title I funds for each of the next two years for professional development to support the revised plan, in addition to certain other requirements. Failure to meet AYP for years subsequent to the second year carries further consequences under Section 6316 of NCLB.

The No Child Left Behind Act strengthens requirements for state assessments, accountability systems, and support for school improvement. The law also establishes minimum qualifications for teachers and paraprofessionals. Failure of the Academy to meet the requirements of NCLB may have a material adverse effect on the Academy and its ability to make Scheduled Installment Payments and other payments due under the Financing Agreement.

No Taxing Authority

The Academy is a Michigan public school academy and has no taxing power. The Academy does not possess the ability to assess ad valorem taxes now or in the future. As such, the Academy is

completely dependent upon State School Aid revenues to pay the Scheduled Installment Payments and other payments due under the Financing Agreement. Any event that would delay, reduce or eliminate State School Aid monies from the State would have a material adverse effect on the ability of the Academy to make Scheduled Installment Payments and other payments under the Financing Agreement coming due thereafter. See “RISK FACTORS” section, including “Revocation or Non-renewal of Charter” and “Delay in, Reduction, or Termination of State School Aid,” herein.

Delay in or Termination of State School Aid

Any event that would cause a delay, reduction or elimination of the school aid revenues from the State, including without limitation the failure by the State legislature to appropriate money for such purpose for any fiscal year, would have a material adverse effect on the ability of the Academy to make Scheduled Installment Payments coming due thereafter. See "Sources of School Operating Revenue" herein.

Legislative and Nonappropriation Risk

Even though the State is obligated under the Michigan Constitution to support public education in the State, the State is not obligated to continue to finance public education through State School Aid or continue to support public education via public school academies. Any change in the Michigan Constitution of 1963, the enabling legislation that created public school academies or failure by the legislature of the State of Michigan to appropriate funds sufficient to fund the operation of public school academies could have a material adverse effect on the ability of the Academy to make Scheduled Installment Payments and other payments under the Financing Agreement coming due thereafter.

Any event that would cause a delay, reduction or elimination of the State School Aid would have a material adverse effect on the ability of the Academy to make any payments due under the Financing Agreement coming due thereafter. See “RISK FACTORS – Delay in, Reduction, or Termination of State School Aid,” herein.

Limitation of Assigned Revenues

Not more than 20% of the State School Aid funds to be received by the Academy for a given fiscal year may be used to make payments on the Series 2007 Bonds, Reserve Fund Payments and debt service payments on any additional long-term obligations of the Academy.

Performance by Bardwell Group, Inc.

The Academy has entered into a Management Agreement with Bardwell Group, Inc. (“Bardwell”), dated as of August 9, 2006, as amended, for certain business and educational services (the “Management Agreement”). Bardwell has limited experience in the field of operating public school academies. No assurances can be made that Bardwell will continue to operate school facilities or remain financially able to perform its obligations under the Management Agreement. If Bardwell ceases to serve in its capacity, the Academy’s ability to continue its operations would in large part be dependent upon the Academy’s ability to operate, manage and maintain the Project itself or to contract with another company competent to operate, manage, and maintain the Project. Its failure to do so would materially adversely affect the Academy’s ability to make the Scheduled Installment Payments and other payments due under the Financing Agreement. The Management Agreement is on file with the Underwriter. For additional information regarding Bardwell, see “EXHIBIT A – DAVID ELLIS ACADEMY - WEST -- Educational Service Provider.”

Results of a Termination of the Financing Agreement

In the event that the Academy should not pay money sufficient to pay the Scheduled Installment Payments under the Financing Agreement, an event of default will have occurred and the Academy's indebtedness under the Financing Agreement may be accelerated and the Mortgage foreclosed by the Trustee.

A potential purchaser of the Series 2007 Bonds should not assume that it will be possible to obtain proceeds from the foreclosure of the Mortgage and the sale of the Project after a termination of the Financing Agreement and a foreclosure of the Mortgage, for an amount equal to the aggregate principal amount of the Series 2007 Bonds then outstanding plus accrued interest thereon. If the Project is sold pursuant to a foreclosure sale under the Mortgage (and there is no assurance that there would be any purchaser upon a foreclosure sale) for an amount less than the aggregate principal amount of and accrued interest on the Series 2007 Bonds, such partial payment may be the only payment to the Bondholders; upon such partial payment, no holder of any Series 2007 Bond shall have any further claim for payment from the Trustee. A portion of the real property purchased with proceeds of the Series 2007 Bonds will not be subject to the lien of the Mortgage. See "RISK FACTORS—Environmental Regulation" herein.

Resale of Series 2007 Bonds/Lack of Secondary Market

There can be no assurance that there will be a secondary market for the Series 2007 Bonds.

Remedies May be Unenforceable

Remedies provided for in the Financing Agreement, the Mortgage and the Indenture may be unenforceable as a result of the application of principles of equity or of state and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Financing Agreement, the Mortgage and the Indenture could prove both expensive and time consuming.

Inability to Liquidate or Delay in Liquidating the Project

An event of default that has occurred and is continuing gives the Trustee the right of possession of, and the right to sell, the portion of the Project subject to the Mortgage pursuant to a foreclosure sale under the Mortgage. The Project is intended to be used for the public school purposes of the Academy. Because of such use, a potential purchaser of the Series 2007 Bonds should not anticipate that a sale of the Project could be accomplished rapidly, or at all. Any sale of the Project would require compliance with the laws of the State of Michigan. Such compliance may be difficult, time-consuming and/or expensive. Any delays in the ability of the Trustee to foreclose on the Mortgage would result in delays in the payment of the Series 2007 Bonds.

The Project will be specifically constructed for use as a school facility and may not be readily adaptable to other uses. As a result, in the event of a sale of the Project, the number of uses that could be made of the property, and the number of entities that would be interested in purchasing the Project, could be limited, and the sale price would be thus affected. The location of the Project may also limit the number of potential purchasers. The ability of the Trustee to sell the Project to third parties, thereby liquidating the investment, would be limited as a result of the nature of the Project. For these reasons no assurance can be made that the amount realized upon any sale of the Project will be fully sufficient to pay and discharge the Series 2007 Bonds. In particular, there can be no representation that the cost of the property included in the Project constitutes a realizable amount upon any forced sale thereof. In the event the Trustee takes possession of the Project, the Project may be subject to real estate taxation.

Outstanding Obligations

The Academy also has the following capital leases and loans outstanding:

<u>Purpose</u>	<u>Monthly Payment</u>	<u>Lease Maturity</u>
Building Improvements*	1/12 of 10% of the per-student state aid received	6/30/08
Line of Credit*	\$3,200	8/30/07

*will be refinanced with bond proceeds and / or will terminate upon purchase of the Facilities

Completion of the Project

Michigan state law requires certain approvals be sought and obtained, including but not limited to a certificate of occupancy, in order for the Project to be used as a public school building. The failure of the Academy to obtain the permanent certificate of occupancy could render the Project unable to accommodate students until all required approvals have been obtained. Such delay could have a material effect on the Academy's ability to make Scheduled Installment Payments and other payments due under the Financing Agreement.

Damage or Destruction of the Project

The Indenture requires that the Academy's property be insured against certain risks in certain amounts. There can be no assurance that the amount of insurance required to be obtained will be adequate or that the cause of any damage or destruction will be as a result of a risk. Further, there can be no assurance of the creditworthiness of the insurance companies from which the Academy will obtain the required insurance policies.

Future Need for the Project

Changes of economic, social or other conditions could affect demographics of the Academy and reduce the Academy's ability, need or willingness to utilize the Project. The Academy is not legally prohibited from construction of additional facilities at any time. Changes in future needs may have an adverse effect upon the willingness and ability of Academy to budget money to pay its obligations under the Financing Agreement.

Determination of Taxability

If a Determination of Taxability were to occur, the Series 2007 Bonds would be subject to mandatory redemption, as a whole and not in part, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date, on the earliest practicable date for which notice can be given following such determination. Although the Academy would be required to prepay the Series 2007 Bonds as set forth in the Indenture, there can be no assurance that the Academy will possess the ability to make the required payment.

Risk of Judicial Decisions Regarding Tax Exemption

On May 21, 2007, the United States Supreme Court agreed to review the decision of a Kentucky appellate court in the case of *Davis v. Department of Revenue of Kentucky*. The Kentucky court held that under the Constitution of the United States, the Commonwealth of Kentucky may not exempt interest on bonds issued by that state or political subdivisions thereof from state and local taxes unless that state also provides such exemption to interest on bonds issued by other states and political subdivisions. Michigan law is similar to the Kentucky law in question, in that it generally exempts from state and local taxes interest on bonds issued by the State of Michigan and Michigan political subdivisions, but not interest on bonds issued by other states or political subdivisions. The outcome of such review, and its impact, if any,

on the exemption of the Series 2007 Bonds and interest thereon from state and local taxes in Michigan, or on the market value of the Series 2007 Bonds, cannot be predicted. See “TAX MATTERS” herein.

Prepayment Risk

Under the Financing Agreement, on any business day on or after June 1, 2017, the Academy has the option to prepay the Scheduled Installment Payments in whole or in part at a price equal to the principal amount of the Series 2007 Bonds to be redeemed, accrued interest to the date of redemption and redemption premium, if any. In addition, the Series 2007 Bonds are subject to mandatory sinking fund redemption as described in "The Series 2007 Bonds — Mandatory Redemption" herein. Any such prepayment will be used to call Series 2007 Bonds ratably without preference among all Series 2007 Bonds then outstanding in \$5,000 increments at a price equal to the amount of the principal of the Series 2007 Bonds to be redeemed plus accrued interest to the date of prepayment.

Factors Associated with the Academy’s Operations

There are a number of factors affecting schools in general that could have an adverse effect on the Academy’s financial position and ability to make the Scheduled Installment Payments and other payments required under the Financing Agreement. These factors include, but are not limited to, increasing costs of compliance with federal or State regulatory laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodation of persons with disabilities; any unionization of the Academy’s workforce with consequent impact on wage scales and operating costs of the Academy; the ability to attract a sufficient number of students; changes in existing statutes pertaining to the powers of the Academy and disruption of the Academy’s operations by real or perceived threats against the school, its employees or students. The Academy cannot assess or predict the ultimate effect of these factors on its operations or financial results of its operations or on its ability to make Scheduled Installment Payments and other payments required under the Financing Agreement with respect to the Series 2007 Bonds.

Value of Property May Fluctuate

The value of the Project at any given time will be directly affected by market and financial conditions which are not in the control of the parties involved in the transaction. Real property values can fluctuate substantially depending in large part on the state of the economy. There is nothing associated with the Academy’s property which would suggest that its value would remain stable or would increase if the general values of property in the community were to decline. Furthermore, as a limited-use building, any remedy exercised by the Trustee under the Mortgage could be expensive and time-consuming. See “Inability to Liquidate or Delay in Liquidating the Project” herein.

Key Management

The creation of, and the philosophy of teaching in, public school academies such as the Academy initially may reflect the vision and commitment of a few key persons who are on the Board of Directors and/or who make up the upper management of the Academy (“Key Directors/Managers”). Loss of such Key Directors/Managers could adversely affect the Academy’s operations or financial results. It is anticipated that over time that public school academies will become less dependent upon the Key Directors/Managers. However, there can be no assurance that this will occur.

Revocation or Non-Renewal of Charter

The Academy operates under a charter contract (the “Charter”) with the Bay Mills Community College Board of Regents (the “Sponsor”). The Charter provides the basis for the Academy to receive State School Aid funds. Unless renewed by the Sponsor, the Academy’s Charter will expire no later than June 30, 2014. Decisions to renew or not to renew the Charter are at the sole discretion of the Sponsor. The Sponsor could choose not to renew the Charter upon its expiration for any reason. Additionally, the Sponsor may unilaterally terminate the Charter at any time. The Charter also provides for certain statutory and other grounds for revocation:

- failure of the Academy to abide by and meet the educational goals set forth in the Charter;
- failure of the Academy to comply with all applicable law;
- failure of the Academy to meet generally accepted public sector accounting principles;
- a determination that the Academy is insolvent, has been adjudged bankrupt, or has operated for two or more school fiscal years with a fund balance deficit;
- a determination that the Academy has insufficient enrollment to successfully operate a public school academy, or the Academy has lost more than fifty percent (50%) of its student enrollment from the previous school year;
- the Academy defaults in any of the terms, conditions, promises or representations contained in or incorporated in the Charter;
- the Academy files amendments to its Articles of Incorporation with the Michigan Department of Labor and Economic Growth, Bureau of Commercial Services without first obtaining the Sponsor’s approval;
- the Sponsor’s Charter Schools Office Director discovers grossly negligent, fraudulent or criminal conduct by the Academy’s applicants, directors, officers, employees or agents in relation to their performance under the Charter;
- the Academy’s applicants, directors, officers, employees or agents are determined to have provided false or misleading information or documentation to the Sponsor’s Charter Schools Office in connection with the Sponsor’s approval of the Academy’s Charter application, the issuance of the Charter or the Academy’s reporting requirements under the Charter or applicable law.

The Charter also may be immediately suspended by the Sponsor if the Charter Schools Office Director determines that probable cause exists to believe that the Academy Board (a) has placed staff or students at risk; (b) is not properly exercising its fiduciary obligations to protect and preserve the Academy’s public funds and property; (c) has lost its right to occupancy of the school’s physical facilities and cannot find another suitable physical facility prior to the expiration or termination of its right to occupy its existing physical facilities; (d) has failed to secure or has lost the necessary fire, health and safety approvals required by the Charter; (e) has willfully or intentionally violated the Charter or applicable law or either of the last two grounds for revocation described above has occurred.

Under certain circumstances, the Charter provides for a notice, opportunity for the Academy to respond or remedy the problem, and / or a hearing, but the decision of a Sponsor not to renew or to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. In the event that the Charter were revoked or not renewed, the ability of the Academy

to make any payments due under the Financing Agreement would be adversely affected and the Academy could be forced to cease operations.

IN THE EVENT THAT THE SPONSOR WERE TO REVOKE, CANCEL, NOT RENEW OR EXTEND THE ACADEMY'S CHARTER, OR IF THE ACADEMY WERE UNABLE TO SECURE ANOTHER AUTHORIZING BODY, THE ABILITY OF THE ACADEMY TO MAKE SCHEDULED INSTALLMENT PAYMENTS UNDER THE FINANCING AGREEMENT COMING DUE THEREAFTER WOULD BE MATERIALLY ADVERSELY AFFECTED.

Pursuant to Section 18b of the State School Aid Act, in the event that the Academy (i) is ineligible to receive funding under the State School Aid Act for 18 consecutive months; (ii) the Charter is revoked; or (iii) the Charter is not reissued by the Sponsor, then property, including title to such property, acquired substantially with funds received from the State pursuant to the State School Aid Act is required to be transferred to the State. The State Treasurer, or his or her designee, is authorized to dispose of property transferred to the State pursuant to Section 18b of the State School Aid Act. Except as otherwise provided in Section 18b of the State School Aid Act, the State Treasurer shall deposit in the state school aid fund any money included in that property and the net proceeds from the sale of the property or interests in the property, after payment by the State Treasurer of a public school academy debt secured by the property or interest in the property.

Outcome of Litigation Questioning Bay Mills Community College as Authorizer

Bay Mills Community College Board of Regents, the Academy's sponsor (the "Sponsor"), was recently the subject of litigation questioning its ability to charter public school academies, including the Academy. This litigation has been resolved at the trial and appellate level in favor of the Sponsor and has not been further appealed by the plaintiff.

In February, 2005, the Michigan Education Association ("MEA"), the State's largest teachers' union, filed suit against the State Superintendent of Public Instruction, the Department of Education, the Board of Education, the State Treasurer and the Department of Treasury ("Defendants") challenging the authority of the Sponsor to authorize charter schools. The suit alleged four separate grounds upon which the Court could find that Sponsor-authorized charter schools, including the Academy, should not be entitled to state funds: 1) that the Sponsor is not permitted to authorize charter schools outside the boundaries of its tribal reservation and that all but one of Sponsor's charter schools were nonetheless located outside the boundaries of the reservation; 2) that the Sponsor had illegally delegated its responsibility to oversee charter schools to a private corporation; 3) that most members of the Sponsor's Board are privately appointed and that Sponsor-authorized charter schools are therefore not public schools and 4) that the Sponsor's own charter was not in compliance with State law.

In December, 2005, Ingham County Circuit Court Judge Joyce Draganchuk found that the plaintiff lacked standing to sue the Defendants with respect to counts 1, 2 and 4. Judge Draganchuk found that the plaintiff had standing with respect to count 3, but dismissed that count.

MEA appealed the adverse determination on count 3. MEA re-alleged in its briefs on appeal that Sponsor-authorized charter schools are not public schools constitutionally permitted to receive State funding because the Sponsor's board members are not elected by the citizens of Michigan or appointed by a public body elected by such citizens or subject to removal by the State Superintendent of Public Instruction (the Sponsor's board members may sign a certification allowing such removal, but MEA argues that such remedy would not be enforceable because of tribal law) and the Sponsor contracts with a private corporation to oversee the charter schools it has authorized. Defendants argued in their brief on appeal that a) the trial court erred in finding that MEA had standing to bring count 3, b) that Michigan law provides a mechanism by which boards of federal tribally controlled community colleges can become

public officers (by making certain oaths and certifications) and c) that charter schools share certain attributes of traditional public schools (open admissions) and have certain differences from private schools ineligible for State funding (religious affiliation, for example). Certain other organizations interested in the outcome of the litigation filed briefs with the appeals court presenting further arguments, such as legislative intent, for why the Sponsor's board is a public body and citing supervision by the State Board of Education as evidence for charter schools' being public schools.

On August 1, 2006, a three-judge panel of the Michigan Court of Appeals dismissed MEA's appeal on the grounds that MEA lacked standing because it had no claim of an actual particularized injury. MEA failed to file an appeal of the dismissal to the Michigan Supreme Court within the time frame allowed by Michigan law. No further appeal is available to MEA.

Environmental Regulation

The Project is subject to various federal, State and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the owner of such Facility for investigating and remediating adverse environmental conditions on or relating to the Facility, whether arising from preexisting conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Facility. Costs incurred by the Academy with respect to environmental liability could adversely impact its financial condition and its ability to own and operate its school Facility. Environmental Testing & Consulting, Inc. (the "ETC") performed a Phase I and Limited Phase II Environmental Site Assessment (the "ESA") of the mortgaged property. The ESA Assessment was undertaken to identify areas of potential environmental concern or evidence of chemical contamination within the limits of the Facility and Site and/or as visually observed immediately adjacent to such property. In its report dated March 5, 2007, ETC stated that the ESA revealed the presence of two underground storage tanks ("USTs"), previously used to fuel boilers, present on the property, one a 500-gallon tank and one a 5,000-gallon tank. The 500-gallon tank was removed from the site on February 28, 2007. ETC collected soil samples at the location of each tank, revealing non-detectable contaminant concentrations and detectable impacts of several parameters not above part 201 generic cleanup criteria. ETC determined that the location of the 5,000-gallon tank made it impossible to remove without damage to the Facility. ETC has recommended that the 5,000-gallon tank be cleaned and closed in place.

Other than the USTs, the ESA reported no evidence of Recognized Environmental Conditions on the interior or exterior of the Project.

The Academy has also caused to be completed an Asbestos Hazard Emergency Response Act (AHERA) Asbestos Containing Material (ACM) Survey (the "AHERA Survey") at the behest of the Sponsor. The AHERA Survey was conducted January 7-21, 2007 by ETC on the site located at 25707 Pembroke, Redford, MI, 48240. The AHERA Survey identified friable and non-friable asbestos-containing materials ("ACM") located throughout the school building. The AHERA Survey states that while most of the ACM is in generally good condition, some ACM may be disturbed and require action. The AHERA Survey states that in order to comply with AHERA, the Academy should take certain remediation actions in the next year. The AHERA Survey also states that the Academy should, in compliance with AHERA, undertake certain activities including employee training, parental notification, signage and continued surveillance of the ACM. ETC also noted that it was unable to access certain portions of the school facilities.

The Academy has further caused to be completed by ETC a Lead Based Paint Inspection (the "LBP Inspection") conducted February 28 and March 1, 2007. The LBP Inspection disclosed dozens of surfaces within the Facility with lead-containing paint. ETC has found that some of the surfaces at the Facility are in poor condition and recommended that a Certified Lead Risk Assessor be contacted to make further assessment of the property.

A portion of the real property acquired with proceeds of the Series 2007 Bonds is not subject to the lien of the Mortgage and could not be foreclosed upon or sold by the Trustee in the event of default by the Academy. No environmental review of such portion has been performed.

TAX MATTERS

General

In the opinion of the Attorney General of the State of Michigan and in the opinion of Dickinson Wright PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the interest on the Series 2007 Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that certain corporations must take into account interest on the Series 2007 Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax. The opinion set forth in clause (a) above is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series 2007 Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2007 Bonds to be included in gross income retroactive to the date of issuance of the Series 2007 Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements. Bond Counsel and the Attorney General will express no opinion regarding other federal tax consequences arising with respect to the Series 2007 Bonds and the interest thereon.

Prospective purchasers of the Series 2007 Bonds should be aware that (i) interest on the Series 2007 Bonds is included in the effectively connected earnings and profits of certain foreign corporations for purposes of calculating the branch profits tax imposed by Section 884 of the Code, (ii) interest on the Series 2007 Bonds may be subject to a tax on excess net passive income of certain S corporations imposed by Section 1375 of the Code, (iii) interest on the Series 2007 Bonds is included in the calculation of modified adjusted gross income for purposes of determining taxability of social security or railroad retirement benefits, (iv) the receipt of interest on the Series 2007 Bonds by life insurance companies may affect the federal tax liability of such companies, (v) in the case of property and casualty insurance companies, the amount of certain loss deductions otherwise allowed is reduced by a specific percentage of, among other things, interest on the Series 2007 Bonds, (vi) registered owners acquiring the Series 2007 Bonds subsequent to initial issuance will generally be required to treat market discount recognized under Section 1276 of the Code as ordinary taxable income, (vii) the receipt or accrual of interest on the Series 2007 Bonds may cause disallowance of the earned income credit under Section 32 of the Code, and (viii) registered owners of the Series 2007 Bonds may not deduct interest on indebtedness incurred or continued to purchase or carry the Series 2007 Bonds, and financial institutions may not deduct that portion of their interest expense allocated to interest on the Series 2007 Bonds.

In the opinion of the Attorney General of the State of Michigan and in the opinion of Dickinson Wright PLLC, Bond Counsel, based on their examination of the documents described in their opinions, under existing law, the Series 2007 Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

On May 21, 2007, the United States Supreme Court agreed to review the decision of a Kentucky appellate court in the case of *Davis v. Department of Revenue of Kentucky*. The Kentucky court held that under the Constitution of the United States, the Commonwealth of Kentucky may not exempt interest on bonds issued by that state or political subdivisions thereof from state and local taxes unless that state also provides such exemption to interest on bonds issued by other states and political subdivisions. Michigan

law is similar to the Kentucky law in question, in that it generally exempts from state and local taxes interest on bonds issued by the State of Michigan and Michigan political subdivisions, but not interest on bonds issued by other states or political subdivisions. The outcome of such review, and its impact, if any, on the exemption of the Series 2007 Bonds and interest thereon from state and local taxes in Michigan, or on the market value of the Series 2007 Bonds, cannot be predicted.

No assurance can be given that any future legislation or clarifications or amendments to the Code, if enacted into law, will not contain proposals that could cause the interest on the Series 2007 Bonds to be subject directly or indirectly to federal or State of Michigan income taxation, adversely affect the market price or marketability of the Series 2007 Bonds, or otherwise prevent the registered owners from realizing the full current benefit of the status of the interest thereon.

Tax Treatment of Accruals on Original Issue Discount Series 2007 Bonds

For federal income tax purposes, the difference between the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Series 2007 Bonds is sold and the amount payable at the stated redemption price at maturity thereof constitutes “original issue discount.” Such discount is treated as interest excluded from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such Series 2007 Bond on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period from the date of original issue) with straight line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2007 Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of registered owners of the Series 2007 Bonds who purchase such Series 2007 Bonds after the initial offering of a substantial amount thereof. Registered owners who do not purchase such Series 2007 Bonds in the initial offering at the initial offering and purchase prices should consult their own tax advisors with respect to the tax consequences of ownership of such bonds.

All registered owners of the Series 2007 Bonds should consult their own tax advisors with respect to computation of original issue discount and the allowance of a deduction for any loss on a sale or other disposition to the extent that such loss is attributable to accrued original issue discount.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2007 BONDS AND THE TAX CONSEQUENCES OF THE ORIGINAL ISSUE DISCOUNT OR PREMIUM THEREON, IF ANY.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Authority of the Series 2007 Bonds will be passed upon by Dickinson Wright, PLLC, Bloomfield Hills, Michigan, Bond Counsel, and the Attorney General of the State of Michigan. The proposed forms of opinions of Bond Counsel and the Attorney General are attached hereto as Exhibit F. The proposed form of opinion of counsel to the Academy is attached hereto as Exhibit G. Copies of the approving opinion of Bond Counsel and of counsel to the Academy will be available at the time of the delivery of the Series 2007 Bonds. Certain legal matters will be passed upon for the Academy by Jaffe Raitt Heuer and Weiss, Professional Corporation, and by Dorsey & Whitney LLP, Minneapolis, Minnesota, in its capacity as counsel to the Underwriter.

UNDERWRITING

The Series 2007 Bonds are being purchased by the Underwriter pursuant to a purchase contract at prices which, if the Series 2007 Bonds are sold at the prices and yields shown on the inside cover page, will result in Underwriter's compensation of \$574,800.00. The obligation of the Underwriter to accept delivery of the Series 2007 Bonds is subject to various conditions contained in the purchase contract. The purchase contract provides that the Underwriter will purchase all of the Series 2007 Bonds if any are purchased. The Series 2007 Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter.

LITIGATION

The Academy

There is no litigation of any nature pending or threatened against the Academy to restrain or enjoin the issuance, sale, execution, or delivery of the Series 2007 Bonds or the application of the proceeds thereof toward the costs of the Project, or in any way contesting or affecting the validity of the Series 2007 Bonds or any proceedings of the Academy taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security for the Series 2007 Bonds or the existence or powers of the Academy.

There is no litigation pending or, to the knowledge of the Academy, threatened against the Academy, wherein an unfavorable decision would adversely affect the ability of the Academy to carry out its obligations under the Financing Agreement or the Indenture or would have a material adverse impact on the financial position of the Academy.

The Authority

There is not now pending or, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2007 Bonds or questioning or affecting the validity of the Series 2007 Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence of the Authority nor the title of any of the present members or other officials of the Authority to their respective offices is being contested. There is no litigation pending or, to the Authority's knowledge, threatened which in any manner questions the right of the Authority to enter into the documents to be executed by the Authority in connection with the Series 2007 Bonds or to secure the Series 2007 Bonds in the manner provided in the Indenture or the Act.

CONTINUING DISCLOSURE

The Academy will execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), with respect to the Series 2007 Bonds. The Continuing Disclosure Agreement is made for the benefit of the registered and Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Series 2007 Bonds and in order to assist the Underwriter in complying with its obligations pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Continuing Disclosure Rule"). See "EXHIBIT H – FORM OF CONTINUING DISCLOSURE AGREEMENT."

Pursuant to the Continuing Disclosure Agreement, the Academy will agree to provide, or cause to be provided, annually to designated information repositories certain quantitative financial information and

operating data of the type specified in the Continuing Disclosure Agreement (the “Annual Report”); and to provide in a timely manner to designated information repositories notice of the occurrence of certain events, if material (within the meaning of the Continuing Disclosure Rule), and of any failure to provide the Annual Report when due. The Continuing Disclosure Agreement does not require that information be provided to registered owners or Beneficial Owners of the Series 2007 Bonds, but rather requires only that such information be provided to certain information repositories.

SERIES 2007 BONDS NOT A DEBT OF STATE

The Series 2007 Bonds will not constitute or create any debt or debts, liability or liabilities on behalf of the State or any political subdivision thereof, other than a limited obligation of the Authority, nor a loan of the credit of the State or a pledge of the faith and credit of the State or of any such political subdivision, but will be payable solely from the funds provided therefor. The issuance of Series 2007 Bonds under the Indenture will not directly, indirectly or contingently obligate the State of Michigan, the Authority, or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor, or to make any appropriation for their payment. The Authority has no taxing power.

RATING

The Series 2007 Bonds have no rating because of the risks associated with an investment in the Series 2007 Bonds. As a result of the foregoing, the Series 2007 Bonds are believed to bear interest at higher rates than would prevail for bonds with comparable maturities and redemption provisions that have investment grade credit ratings. Nevertheless, Series 2007 Bonds should not be purchased by any investor who, because of financial condition, investment policies, or otherwise, does not desire to assume, or have the ability to bear, the risks inherent in an investment in the Series 2007 Bonds.

The Academy agrees in the Financing Agreement that it will, upon renewal of its Charter, retain the Underwriters or other management consultant (the “Rating Consultant”) to assess the likelihood that the Academy could obtain from Standard & Poor's Ratings Group, Moody's Investors Service or Fitch Ratings (each, a “Rating Agency”) a rating of the Series 2007 Bonds not less than the lowest “investment grade” rating of such Rating Agency. The Academy agrees to provide to the Rating Consultant such information as it may reasonably request in order to assist in making such assessment. If the Rating Consultant determines that such rating is obtainable, the Academy agrees that it will, at its sole expense, solicit and make a good faith effort to obtain such rating.

FINANCIAL FORECAST

The financial forecast of the Academy included in this Official Statement has been prepared by Larry Wilkerson & Associates, P.C. independent certified public accountants, to the extent and for the periods indicated therein. The Academy is not aware of any facts that would make the financial forecast misleading.

MISCELLANEOUS

The Series 2007 Bonds are intended to be exempt securities under the Securities Act of 1933, as amended (the “1933 Act”), and the offer, sale and delivery of the Series 2007 Bonds does not require registration under the 1933 Act or qualification of the Indenture under the Trust Indenture Act of 1939. The Academy has agreed that, during the course of the transaction and prior to the sale of the Series 2007 Bonds, potential investors may ask questions of and receive answers from its representatives concerning the terms and conditions of the offering and that potential investors may obtain from it any additional information necessary to verify the accuracy of the information furnished, in each case to the extent it possesses such information or can acquire it without unreasonable effort or expense. Any request for information may be directed to the Underwriter.

The Academy has furnished the information herein relating to itself. The Authority has furnished the information herein relating to itself. The Underwriter has furnished the information in this Official Statement with respect to the offering prices of the Series 2007 Bonds and the information under the caption "UNDERWRITING."

All quotations from, and summaries and explanations of, the Indenture and other documents referred to herein do not purport to be complete, and reference is made to said documents for full and complete statements of their provisions. All references herein to the Series 2007 Bonds are qualified by the definitive forms thereof and the information with respect thereto contained in the Indenture. This Official Statement shall not be construed as constituting an agreement with purchasers of the Series 2007 Bonds. The cover page, introductory statement and the attached Exhibits are part of this Official Statement. All information contained in this Official Statement, including the Exhibits, is subject to change and/or correction without notice and neither the delivery of this Official Statement nor any sale made hereunder creates any implication that the information contained herein is complete or accurate in its entirety as of any date after the date hereof.

ANY STATEMENTS MADE IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION OR ASSUMPTIONS OR ESTIMATES, WHETHER OR NOT SO EXPRESSLY STATED, ARE SET FORTH AS SUCH AND NOT AS REPRESENTATIONS OF FACT AND NO REPRESENTATION IS MADE THAT ANY OF THE ESTIMATES OR ASSUMPTIONS WILL BE REALIZED.

DAVID ELLIS ACADEMY - WEST

By: /s/ _____
Its:

EXHIBIT A
DAVID ELLIS ACADEMY - WEST

EXHIBIT A⁸

DAVID ELLIS ACADEMY - WEST

GENERAL

David Ellis Academy - West (the "Academy") is a public school academy and governmental agency of the State of Michigan, organized pursuant to Part 6A of Act No. 451 of the Public Acts of 1976, Michigan Compiled Laws ("M.C.L.") Section 380.501 et. seq. (the "Revised School Code") and the Michigan Nonprofit Corporation Act, Act No. 162 of the Public Acts of 1982, M.C.L. Section 450.2101 et. seq.

The Academy began operations in fall, 2006 offering grades 4-8 to approximately 300 students. The Academy now operates out of one campus located in Redford, Michigan as described below under "FACILITIES."

The Academy is governed by a volunteer Board of Directors and operates under a charter contract (the "Charter") with the Bay Mills Community College Board of Regents, its authorizing body (the "Sponsor"). The Charter is dated August 19, 2006 and effective for a term expiring June 30, 2014, unless sooner terminated in accordance with the terms of the Charter (see discussion below under the caption "THE CHARTER AGREEMENT".)

BOARD OF DIRECTORS

The governing body for the Academy currently consists of five (5) members. Academy Board members are appointed by the Sponsor following nomination, in most cases, by the Academy. Membership on the Board is required to be at least five and no more than nine. The Academy Board is required to include 1) a parent or guardian of a child attending the Academy and 2) a professional educator, preferably with school administration experience. The current Academy Board members are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Raphael Washington	President	June 30, 2008
Mary Wood	Vice President	June 30, 2007
Walter L. Williams	Secretary / Treasurer	June 30, 2007
Michelle Smart	Member	June 30, 2009
Maurice Perkins	Member	June 30, 2009

Raphael Washington. Mr. Washington has been a member of the Detroit Police Department since 1985, serving variously as a patrol officer, undercover narcotics officer, member of the Traffic Enforcement Unit and Violent Crime Task Force, rank sergeant and rank lieutenant. He was a member of the Michigan National Guard and studied criminal justice at Henry Ford Community College and Kalamazoo Valley Community College. He is a graduate of Eastern Michigan University's School of Police Staff and Command.

Mary Wood. Ms. Wood was a teacher, counselor and administrator in the Detroit Public School System from 1996 to 2000 and had previously taught at Schoolcraft College, the Detroit Institute of Commerce and Wilson County High School. She received her B.S. in Business Education from

⁸ Information included in Exhibit A of this Official Statement was obtained from the Academy unless otherwise noted.

Tennessee State University and her M. Ed. from Wayne State University with a major in Business Education.

Walter L. Williams. Mr. Williams has more than ten years' experience in architectural drafting, having worked for the City of Detroit, Builders Square and People, Places & Things LLC. He holds an Associate's degree in Architectural Building Construction Technology from Schoolcraft College.

Michelle Smart. Ms. Smart has been with Ford Motor Company for 13 years, serving as a Human Resources Coordinator and Communications Analyst. Prior to that, she worked in communications for seven years for the Metropolitan Detroit Convention & Visitors Bureau.

Maurice Perkins. Mr. Perkins has worked in the steel industry as an inspector and employee representative since 2000. In addition, he has substantial experience in the mortuary industry. He was trained in pre-mortuary science at Henry Ford Community College. He currently serves as Chairman of the Board of Citadel of Praise, Detroit, Michigan and has also served as a Board member of Academy of America, Southfield, Michigan.

MISSION STATEMENT

The mission of the Academy is to, in collaboration with the community, successfully prepare students for the 21st century in a safe and orderly environment which will teach academic, cultural, social, physical, organizational, conflict resolution and goal setting skills. The staff will assist students in achieving their maximum potential, help students develop positive attitudes and high self-esteem, and enable students to become productive citizens within the community and society at large.

FACILITIES

The Academy has enrolled 307 students in grades 4-8 for 2006-07. The Academy projects future enrollment and grades offered as follows: 700 students in grades K-8 for 2007-08; 775 students in grades K-8 for 2008-09; 850 students in grades K-8 in 2009-10 and 925 students in grades K-8 in 2010-11. The Academy has 143 new students enrolled for 2007-2008. The Academy has received approval from its Sponsor to offer grades K-8 to an enrollment of up to 1,000 students.

The Project is located at 19800 Beech Daly Road, Redford, Michigan and encompasses approximately 7.8 acres. The Facility will be used as a public school academy and consists of approximately 82,000 square feet with two media centers, cafeteria, gymnasium, 25 offices, 25 restrooms and ample parking and grounds for sports and recreational activities. The Project will contain a total of 45 classrooms and have a capacity in excess of 1,000 students.

CURRICULUM

The Academy's curriculum aligns with the Michigan Curriculum Framework Content Standards and Benchmarks. The average class size for the grades 4-8 program for the 2006-2007 school year is 28 students.

The Academy will begin offering grades K-3, in addition to grades 4-8 already offered, in the 2007-2008 school year. The Academy's curriculum begins with a Montessori-based kindergarten with emphasis on phonics, conceptual and social development, followed by primary education. The goal is to have children master the fundamentals of reading, writing and mathematics by the end of 3rd grade. The fourth through eighth grade focus is on the enhancement and application of the basic skills necessary to properly prepare students for high school by teaching and reinforcement of higher order skills, inclusive of comprehensive math, writing, science and social studies projects.

Kindergarten. Topics include science (including weather, the body, seasons, the food chain); math (numbers and shapes, addition, story problems), social studies (calendar; maps; rules; money) and language arts (elements of stories; letter writing and pronunciation).

First Grade. Topics in science include health; sound and sight; plant growth and weather patterns; in math, addition and subtraction, graphs, time measurement and fractions; in social studies, basics of democracy, famous Americans and basic geography and in language arts, reading, spelling and grammar.

Second Grade. Topics in science include adaptations of plants and animals; habitat; dinosaurs; introductory science of motion; introductory astronomy; in math, problem solving; shapes and lines and advanced addition and subtraction; in social studies, American history, introduction to economic concepts; in language arts, vocabulary, phonics; spelling; sentence structure and writing.

Third Grade. Topics in science include shelter and building; tools; energy; migration and survival in the animal kingdom; sound; precipitation and nutrients; in math, rounding, multiplication and decimals; in social studies, U.S. geography and history; in language arts, parts of speech, phonics and grammar.

Fourth Grade. Topics in science include volcanoes and earthquakes; water and rocks; climate; flight; topics in math include multiplication and division; geometry; topics in social studies include local government and history; topics in language arts include kinds of sentences; the writing process.

Fifth Grade. Topics in science include the scientific method; minerals, atoms, machines and the Leelanau Outdoor Center; gravity; dissection; genetics and farming; in math, advanced fractions, multiplication and division; probability; in social studies, colonial and postrevolutionary history; social reforms; in language arts, advanced parts of speech; compare / contrast; classification; fact/opinion; personal response.

Sixth Grade. Topics in science include viruses and simple organisms; ecology; dissection; the solar system; beginning chemistry; in math, equations; in social studies, primary sources, timelines, the civil war, ancient history; Asian civilization; in language arts, verbs, reading comprehension and writing.

Seventh Grade. Topics in science include gas laws and theories; chemical reactions; circulation; thermal energy; the rock cycle; the nervous system; in math, variables; multi-step equations, area and volume; in social studies, world history and geography; criminal law; banking; in language arts, literary style; theme; character development; genre; persuasion; Greek, French and Latin word parts.

Eighth Grade. Topics in science include electricity; magnetism; oceanic ecosystem; the periodic table; kinetic theory; reproduction; in math, exponents; data interpretation; slope; geometry; in social studies, the judicial system; insurance; research process; in language arts, advancements from grade 7 curriculum.

Junior high (7th and 8th grade) students also study health and safety, and the Academy offers physical education.

Educational programs at the Academy include the following:

- Daily journal writing, use of MEAP rubrics in class activities
- After-school and summer program tutoring
- Professional development services and workshops

- National Junior Honor Society Tutoring Program
- Student Council
- Spelling Bee
- D.E.A.R. (Drop Everything and Read)—students in all grades read for 30 minutes every day
- Storytellers' Program—middle grade students select books to read to elementary students during D.E.A.R.
- CCC Lab—lessons are reinforced via computer software
- Books-R-Us—a reading program linked to classroom discussions and field trips to libraries and bookstores
- Stock Market Game—an internet-based educational program that provides students imaginary money to purchase stocks in order to help students master the basics of investing and economics
- Book-It Program—students and their teachers set monthly reading goals. When the students reach their goals, they are rewarded with certificates and pizza by the national pizza chain which sponsors the program
- 8th grade student laptop program—8th grade students check out laptops in weekly increments to complete quarterly projects and term papers
- Academy Tech Team—maintains the Academy website by updating pictures, current events and lunch menus.
- Powerschool—a web-based teacher utility and data management program which allows parents to monitor children's academic progress and attendance on a daily basis
- Newspapers in Education Program—newspapers are purchased and donated to classrooms to enhance the curriculum. Papers include 3rd and 4th grade inserts, Wak's corner, 5th and 6th grade breakfast serials and special current events inserts
- 2K Program—a comprehension entrepreneurial program that teaches practical life skills
- Special Education—including speech and language, specific learning disability and emotional impairment

EDUCATIONAL GOALS

As set forth in its Charter application, the Academy's goals are:

1. The number of students performing “satisfactory” or above in core academic areas, as measured by MEAP and the Iowa Test of Basic Skills (ITBS) will improve by the percentage determined under AYP calculations.
2. A majority of students currently performing below “satisfactory” in a) mathematical and computational skills; b) reading and language arts skills; c) scientific concepts and knowledge or d) social studies concepts and knowledge will improve their achievement levels as measured by classroom

assignments, project and homework, teacher progress tests and observations and standardized tests. Improvement in Social Studies and Writing will be a priority, based on MEAP data and AYP status.

3. Student average daily attendance shall meet or exceed 80%.

In order to accomplish these goals, the Academy states that it will employ the following strategies:

- A. Regular pre- and post-testing of all students using standardized achievement tests.
- B. Placement in regular and special classes based on actual performance.
- C. Share expectations with all parents, especially in their native language.
- D. Identify all students who are at risk for failure or experiencing difficulty with learning.
- E. Conduct remedial tutoring in core academic subjects throughout the school year and during the summer.
- F. Build skills through use of technology.
- G. Focus on connecting real-life situations to the educational environment.
- H. Encourage participation by all students in conflict resolution and goal-setting skill development.
- I. Hire a reading specialist to work with under-performing students.
- J. Provide parents the option of obtaining supplemental services.

EXTRACURRICULAR ACTIVITIES

Activities offered include: Books R Us, tutoring, girls' and boys' basketball, soccer, softball, dance squad, cheerleading, drum squad, Keys of Life, violin, fashion design, girl scouts, boy scouts and art appreciation.

ADMINISTRATION

Per the Academy's description of staff responsibilities, the Director is charged with a) promoting and maintaining a productive, creative and caring atmosphere in which every student can experience success; b) fostering an environment where students and staff are challenged to reach their greatest potential; c) gathering and compiling data to determine if Academy's vision, mission, goals and objectives are being met. The Director is required, among other things, to possess a Master's in Education or equivalent degree.

School leader Machion Morris was Director of School Operations for David Ellis Academy, Detroit, Michigan, from 1999 through the beginning of her employment with the Academy. Prior to that, she served as a language arts and social studies instructor at David Ellis Academy and Daniel Middle School (Columbus, GA) and an adjunct professor of writing and applied computing at Oakland Community College, Royal Oak, Michigan and Columbus State University, Columbus, GA. Ms. Morris holds a B.A. in English from the University of Detroit Mercy and a M. Ed. in Secondary Education, English, from Columbus College in Georgia.

FACULTY

Bardwell is responsible for administration of the Academy. Bardwell employs 12 full time teachers, one administrator, two paraprofessionals, five support staff and 16 lunch aides for the 2006-07 school year.

Academy policy provides that teachers will present themselves at all times as professionals modeling the high scholastic and moral character of the Academy. Teachers are expected to possess a Bachelor's degree and teacher certification. The Academy's staff includes a Student Services Coordinator to assist students with personal, family, social, educational and career decisions, problems and concerns. The Student Services Coordinator is expected to hold a Master's or Bachelor's in Education / Counseling.

PARENTAL INVOLVEMENT AT THE ACADEMY

The Academy's Parent Support Group meets once per month. Each parent is required to volunteer twenty hours per month and must sign an agreement to that effect. While 98% of parents volunteer, only 80% meet the 20 hours per month commitment.

THE CHARTER AGREEMENT

The Academy operates under a charter contract (the "Charter") with the Bay Mills Community College Board of Regents, its authorizing body (the "Sponsor"). As such, the Sponsor is responsible for overseeing the Academy in complying with its Charter and other applicable state and federal laws pertaining to Michigan charter schools. The Sponsor receives 3% of the Academy's state aid funds for providing such oversight and acting as the Academy's fiscal agent. As a matter of Michigan law, decisions to renew or not renew the Academy's Charter are in the sole discretion of the Sponsor. The Academy's Charter may be terminated, suspended or revoked by the Sponsor at any time prior to the expiration of the Charter term. On September 23, 1997, the Attorney General of Michigan issued a formal opinion that an authorizing body's decision to revoke a charter or decline to renew a charter for the operation of a public school academy is not subject to judicial review under State law.

The Charter provides the basis for the Academy to receive State School Aid funds. Unless renewed by the Sponsor, the Academy's Charter will expire no later than June 30, 2014. Decisions to renew or not to renew the Charter are at the sole discretion of the Sponsor. The Sponsor could choose not to renew the Academy's Charter upon its expiration for any reason. Additionally, the Sponsor may unilaterally terminate the Charter at any time. The Charter also provides for certain statutory and other grounds for revocation:

- failure of the Academy to abide by and meet the educational goals set forth in the Charter;
- failure of the Academy to comply with all applicable law;
- failure of the Academy to meet generally accepted public sector accounting principles;
- a determination that the Academy is insolvent, has been adjudged bankrupt, or has operated for two or more school fiscal years with a fund balance deficit;

- a determination that the Academy has insufficient enrollment to successfully operate a public school academy, or the Academy has lost more than fifty percent (50%) of its student enrollment from the previous school year;
- the Academy defaults in any of the terms, conditions, promises or representations contained in or incorporated in the Charter;
- the Academy files amendments to its Articles of Incorporation with the Michigan Department of Labor and Economic Growth, Bureau of Commercial Services without first obtaining the Sponsor's approval;
- the Sponsor's Charter Schools Office Director discovers grossly negligent, fraudulent or criminal conduct by the Academy's applicants, directors, officers, employees or agents in relation to their performance under the Charter;
- the Academy's applicants, directors, officers, employees or agents are determined to have provided false or misleading information or documentation to the Sponsor's Charter Schools Office in connection with the Sponsor's approval of the Academy's Charter application, the issuance of the Charter or the Academy's reporting requirements under the Charter or applicable law.

The Charter also may be immediately suspended by the Sponsor if the Charter Schools Office Director determines that probable cause exists to believe that the Academy Board (a) has placed staff or students at risk; (b) is not properly exercising its fiduciary obligations to protect and preserve the Academy's public funds and property; (c) has lost its right to occupancy of the school's physical facilities and cannot find another suitable physical facility prior to the expiration or termination of its right to occupy its existing physical facilities; (d) has failed to secure or has lost the necessary fire, health and safety approvals required by the Charter; (e) has willfully or intentionally violated the Charter or applicable law or either of the last two grounds for revocation described above has occurred.

Under certain circumstances, the Charter provides for a notice, opportunity for the Academy to respond or remedy the problem, and / or a hearing, but the decision of a Sponsor not to renew or to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any State agency. In the event that the Charter were revoked or not renewed, the ability of the Academy to make any payments due under the Financing Agreement would be adversely affected and the Academy could be forced to cease operations.

The Charter requires the Academy to indemnify and hold the Sponsor and its Regents, officers, employees, agents or representatives harmless from all claims, demands, or liability, including attorney fees and related expenses, on account of injury, loss or damage including, without limitation, claims arising from bodily injury, personal injury, sickness, disease, death, property loss or damage or any other losses of any kind whatsoever and not caused by the sole negligence of the Sponsor, which arise out of or are in any manner connected

EDUCATIONAL SERVICE PROVIDER

Bardwell Group, Inc.

The Academy has entered into a Management Agreement (the "Management Agreement") dated as of August 9, 2006, as amended as of June, 2007, with Bardwell Group, Inc. ("Bardwell") pursuant to which the Academy manages the affairs of and provides educational services to the Academy. The Management Agreement expires June 30, 2011 and is subject to renewal for later terms. Bardwell is a Michigan corporation that specializes in providing public school academies with educational services and

products, including business management, curriculum, educational programs, teacher training and technology. Bardwell provides to the Academy curriculum, teacher services and support personnel services; bookkeeping, accounting and business services; fiscal compliance services; accounts payable and payroll services; salary, wage and benefits administration services; personnel management, and records management; and purchasing, facilities and maintenance services. The Management Agreement permits Bardwell to subcontract the services to be provided to the Academy, except that neither curriculum, teaching nor any other service for which a subcontractor would be paid twenty percent (20%) or more of the fee payable to Bardwell under the Management Agreement may be subcontracted without the consent of the Academy's Board. All Academy faculty and staff are employed by or are contractors of Bardwell.

In addition to the Academy, Bardwell manages one additional school, located in Detroit, Michigan. The combined enrollment of Bardwell charter schools is approximately 650 students. Bardwell was founded in 1998. Its executive offices are located at 2000 Town Center, Suite 1900, Southfield, Michigan.

Summary of the Management Agreement

The following is a brief summary of certain provisions of the Management Agreement. The following summary is not intended to be definitive, and it is not a complete explanation of all provisions of the Management Agreement. Reference should be made to the Management Agreement, which is available from the Underwriter, for a complete recital of its terms.

Agreement to Operate: Term of the Management Agreement

Pursuant to the terms of the Management Agreement, Bardwell has agreed to provide administrative, personnel and business services to the Academy necessary for the operation, maintenance and management of the school, and to provide educational services for the pupil enrolled at the Academy.

The term of the Management Agreement, as amended, is for the period commencing June 1, 2007 and ending on June 30, 2011, except that the Management Agreement is terminable by the Academy on or after May 31, 2010, without penalty or cause, upon sixty (60) days' prior written notice. In addition, either party may terminate the Management Agreement prior to its scheduled expiration date in the event that the other party fails to remedy a material breach within 60 days of notice thereof. The Management Agreement provides that a material breach by the Academy includes but is not limited to Bardwell's failure to receive any fee or reimbursement due to it under the Management Agreement. The Management Agreement provides that a material breach by Bardwell includes, but is not limited to, (1) failure to account for expenditures or pay Academy operating costs as required under the Management Agreement (provided that funds are available to do so); (2) failure to substantially follow policies, procedures, rules, regulations or curriculum duly adopted by the Academy Board which are not in violation of the Charter, the Management Agreement or law; (3) any action or inaction by Bardwell which leads to the revocation of the Charter or (4) failure to comply with the Charter. In addition, the Management Agreement provides that Bardwell may terminate the Management Agreement if the Academy makes decisions regarding personnel, curriculum or program substantially inconsistent with the recommendations of Bardwell or if the Charter is revoked by Sponsor if such revocation was not in any way caused by Bardwell. Further, either party is permitted to terminate the Management Agreement if Bardwell and the Academy Board are unable to agree on changes to the educational program or other policies that affect the Academy in a significant way, upon 90 days' notice and opportunity to negotiate. In addition, the Management Agreement provides that if any federal, state or local law or regulation, court or administrative decision or Attorney General's opinion has a material adverse impact on the ability of either party to carry out its obligations under the Management Agreement, either party may request renegotiation of the Management Agreement, and if the parties are unable or unwilling to renegotiate the

terms within 90 days after the notice, the party requiring the renegotiation may terminate the Management Agreement as of the end of the academic year. The Management Agreement further permits the Academy to terminate it if, at any time, the laws regarding payment to the Michigan Public School Employees' Retirement System or any other public retirement system on behalf of employees assigned by Bardwell to work at the Academy, or the law regarding tenure, change such that teachers or principals and assistant principals employed by Bardwell must be covered by such retirement or tenure laws. Termination is not effective until the end of the school year in which it occurs, unless the termination results from a change in law, violation of applicable law or revocation of the Charter, in which case it shall be effective immediately.

Service Provided by Bardwell

Under the terms of the Agreement, Bardwell is required to provide the following business and administrative support services, which services are to be provided by independent contactors or employees of Bardwell at the sole discretion of Bardwell, unless the Academy's Board of Directors requires otherwise: (a) teacher services and support personnel; (b) bookkeeping, accounting and business services; (c) fiscal compliance services; (d) accounts payable and payroll services; (e) salary, wages and benefits administration services; (f) personnel/records management; and (g) purchasing, facilities and maintenance services.

Currently, the Academy employs 2 administrators, 2.5 administrative assistants, 11 full-time teachers, 15 aides and additional employees, provided by Bardwell.

Compensation of Bardwell

As compensation for its services, Bardwell is paid by the Academy a fee based in part upon enrollment of the Academy. In addition, the Academy agrees to reimburse Bardwell for such costs as are consistent with the Academy's annual budget.

Indemnification

Pursuant to the terms of the Management Agreement, Bardwell has agreed to indemnify and hold harmless the Academy and its officers, directors, employees, agents and subcontractors, from and against any and all claims, demands, suits or other forms of liability that may arise out of or by reason of any noncompliance by Bardwell with any agreements, covenants, warranties or undertakings of Bardwell contained in or made pursuant to the Management Agreement, and any misrepresentations or breach of the representations and warranties of Bardwell contained in or made pursuant to the Management Agreement. Bardwell also has agreed to indemnify and hold harmless the Academy and the Academy's Board, partners, officers, employees, agents and representatives from any claims and liabilities which the Academy may incur and which arise out of the negligence of Bardwell's directors, officers, employees, agents or representatives.

The Academy has agreed to indemnify and hold harmless Bardwell and its officers, directors, employees, agents and subcontractors, from and against any and all claims, demands, suits or other forms of liability that may arise out of or by reason of any noncompliance by the Academy with any agreements, covenants, warranties or undertakings of the Academy contained in or made pursuant to the Management Agreement, and any misrepresentations or breach of the representations and warranties of Bardwell contained in or made pursuant to the Management Agreement. The Academy also has agreed to indemnify and hold harmless Bardwell and Bardwell's Board, partners, officers, employees, agents and representatives from any claims and liabilities which Bardwell may incur and which arise out of the negligence of the Academy's directors, officers, employees, agents or representatives.

ENROLLMENT

The Academy began operations in fall, 2006. The following table sets forth data provided by the Academy regarding its historical and projected enrollment.

TABLE 1: HISTORICAL AND PROJECTED ENROLLMENT

<u>Grades</u>	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
4-8	307				
K-8		700	775	850	925

Source: The Academy; data presented for 2006-07 is actual data as of the beginning of those school years. Data presented for 2007-08 through 2010-11 is projected by the Academy.

The Academy's Charter currently limits enrollment to 1,000 students. Changes to the Charter require approval by the Sponsor.

WAIT LIST INFORMATION

The following table sets forth data provided by the Academy regarding the number of students who were on the waiting list for the Academy for the 2006-07 school year.

TABLE 2: CURRENT WAITING LIST

<u>Grade</u>	<u>2006-07</u>
4	51
5	21
6	39
7	15
8	20
Total	145

SERVICE AREA AND COMPETING SCHOOLS

The majority of the Academy's students reside in the City of Detroit (the "City"). Well over a third of the State's nearly 300 charter schools are located in the jurisdiction of the Wayne County Regional Educational Service Agency ("Wayne County RESA"). The Wayne County RESA also includes 34 individual school districts. The following schools are located in the City of Redford, Michigan:⁹

<u>Name</u>	<u>Type</u>	<u>Grades Offered</u>	<u>Enrollment</u>
Redford Union High School	Public	9-12	1235
Montessori Place	Private	PK-K	35
Gibson School	Private	PK-8	72
Bulman School	Public	K-5	381

⁹ Source: <http://www.greatschools.net>

Keeler School	Public	K-5	398
MacGowan School	Public	K-5	380
Stuckey Elementary School	Public	K-5	420
Hilbert Middle School	Public	6-8	868
Vandenberg Elementary School	Public	K-5	377
Fisher Elementary School	Public	K-5	460
Jane Addams Elementary School	Public	K-5	268
John D. Pierce Middle School	Public	6-8	815
Lee M. Thurston High School	Public	9-12	1062
Thomas Jefferson Elementary School	Public	9-12	328
St. Agatha	Private	PK-12	n/a
Our Lady of Loretto School	Private	PK-8	216
St. John Bosco Elementary School	Private	1-8	n/a
St. Robert Bellarmine School	Private	K-8	320
St. Valentine Elementary School	Private	K-8	330
Bishop Borgess High School	Private	4-12	182
Catholic Central High School	Private	9-12	959
Hosanna-Tabor Lutheran School	Private	PK-8	97
Lola Park Lutheran School	Private	K-8	n/a

Wee Scholars Preschool	Private	PK-K	28
Michigan Technical Academy High School	Charter	9-12	507
Academy of Detroit - West	Charter	2-6	n/a

Due to a legislative “cap” on the number of charter schools that can be authorized by state universities in the City of Detroit, there is limited charter school competition expected in the near future. Universities have been the most active authorizers. However, state universities have in the past offered charters to new applicants from charters that have been relinquished either voluntarily or involuntarily by existing charter schools, and hence there be no assurance that such a charter would not be granted in the future to a public school academy that may compete with the Academy.

Regarding community college authorizers, in the past 3 years, the Sponsor has been the most active authorizer in the State. The Sponsor may authorize charter schools anywhere throughout the State of Michigan except within the boundaries of the Detroit Public School system.

Other community colleges and intermediate and local public school districts may also authorize charter schools within their district boundaries. As of October, 2006 there were 230 public school academies operating in 314 school buildings in Michigan¹⁰.

ACADEMIC PERFORMANCE

The Academy began operations in fall, 2006 and has therefore not been evaluated for AYP. Similarly, the Academy has not been in existence long enough to have been issued a school report card.

The Academy administered the MEAP for the first time in the 2006-2007 school year. Test results are as follows:

<u>Test</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>	<u>Levels 1 & 2</u>	<u>State Average 1 & 2</u>
Grade 4 English Language Arts	4	0%	61%	32%	2%	61%	85%
Grade 4 Math	4	16%	51%	30%	4%	67%	85%
Grade 5 English Language Arts	5	2%	57%	24%	18%	59%	78%
Grade 5 Math	5	0%	39%	51%	10%	39%	76%

¹⁰ Source: Michigan Department of Education, Directory of Public School Academies. URL: http://www.michigan.gov/documents/Counts_55505_7.pdf

Math						
Grade 5 Science	4%	31%	57%	8%	35%	83%
Grade 6 English Language Arts	10%	47%	35%	8%	57%	78%
Grade 6 Math	5%	32%	49%	14%	37%	69%
Grade 6 Social Studies	21%	35%	29%	16%	56%	74%
Grade 7 English Language Arts	1%	51%	31%	17%	52%	76%
Grade 7 Math	1%	29%	55%	15%	30%	64%
Grade 8 English Language Arts	0%	53%	31%	16%	53%	76%
Grade 8 Math	7%	57%	27%	9%	64%	68%
Grade 8 Science	5%	46%	41%	7%	51%	75%

The Academy plans to administer MEAP and the Iowa Test of Basic Skills. Additional assessment tools include:

- report cards
- student portfolios
- subject area evaluations
- teacher-created tests
- project-based evaluations
- student self-evaluation

STATE AID PAYMENTS

The Academy's principal source of revenue is a per-pupil base foundation allowance received from the State pursuant to the State School Aid Act of 1979 M.C.L. Section 388.1601 et. seq. Payments are sent directly to the Sponsor, which forwards the payments to the Academy, minus a 3% authorizer fee. As part of the transaction involving the issuance of the Series 2007 Bonds, and pursuant to the State Aid Agreement, the Academy has directed that twenty percent (20%) of the State School Aid funds to be received by the Academy in each fiscal year from the State of Michigan be paid directly to the Trustee, subject to increase in a given month in the event that the Academy is unable to make payments due under the Financing Agreement.

The Academy's 2006-07 foundation allowance is \$7,100 per pupil, and the Academy also receives certain additional allowances. See "RISK FACTORS" in forepart of this Official Statement for additional information, including appropriation, reduction and termination of State School Aid funds. See "RISK FACTORS – Delay in, Reduction, or Termination of State School Aid," in forepart of this Official Statement.

OTHER BORROWING

The Academy also has the following capital leases and loans outstanding:

<u>Purpose</u>	<u>Monthly Payment</u>	<u>Lease Maturity</u>
Building Improvements*	1/12 of 10% of the per-student state aid received	6/30/08
Line of Credit*	\$3,200	8/30/07

*will be refinanced with bond proceeds and / or will terminate upon purchase of the Facilities.

FEDERAL/STATE FUNDING

Public school academy students are similar to public school students for the purpose of eligibility for federal entitlement programs. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow.

BUDGET PROCESS AND INFORMATION

The Academy's Board of Directors is responsible for establishing, approving and amending an annual budget in accordance with the Uniform Budgeting and Accounting Act, M.C.L. 141.421, et. seq. The Board must submit to the Sponsor a copy of its annual budget for the upcoming fiscal year. The budget must detail budgeted expenditures at the object level as described in the Michigan Department of Education's Michigan School Accounting Manual. The Academy's Board of Directors is also responsible for approving all revisions and amendments to the annual budget.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Set forth below are the Academy's historical and projected revenues and expenses. The information presented for the School Year ending June 30, 2007 is actual data presented by the Academy, and for the School Years ending June 30, 2007 through 2012 is projected information provided by the Academy, which is based upon certain assumptions made by the Academy. The projections are derived from the actual operation of the Academy and from the Academy's assumptions about student enrollment and expenses.

NO GUARANTEE CAN BE MADE THAT THE PROJECTED INFORMATION WILL CORRESPOND WITH THE RESULTS ACTUALLY ACHIEVED IN THE FUTURE BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE BY THE ACADEMY.

Projected Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Fund Balance	\$681,691	\$851,620	\$927,487	\$1,083,707	\$1,517,938	\$2,265,723

DEMOGRAPHIC INFORMATION

The Academy's students come from Redford, Detroit and other communities throughout Wayne County, Michigan. One percent of the Academy's students are Caucasian; the remainder are African-American (the City of Redford is 35% African-American). Forty-five percent (45%) of the Academy's students are eligible for free or reduced lunch.

The Academy is located in the Detroit Metropolitan Area. Wayne County is the nation's eighth largest county and its two million residents make up almost half of the seven-county metropolitan Detroit region. Its forty-three local communities range from Detroit, the nation's seventh largest city, to small towns like Plymouth and Northville. It is home to the auto industry and is expanding its diversity to the point that it is now the center of the fastest growing high tech corridor in the United States. It is also southeast Michigan's transportation link, through its border with Canada and its two international airports (Detroit Metropolitan Wayne County Airport and Willow Run Airport).

In 2000, Wayne County had a per capita personal income of \$28,029. This was 92.8% of the state average and 93.4% of the national average. The 1996 per capita personal income reflected an increase of 14.8% over 1993. The State change was 16.7% and the national average was 14.4%.

The largest industries in 2000 were services, 30.3% of earnings; manufacturing, 19.0% of earnings; and retail trade, 15.6% of earnings. The largest employer is the Ford Motor Company with almost 25,000 employees throughout the county.

The county is served by 34 public school districts and 61 public school academies with a total student enrollment of more than 330,000. These schools employ approximately 19,700 teachers.

Wayne County Population

YEARS	POPULATION
1970	2,666,751
1980	2,337,891
1990	2,111,687
2000	2,061,162
Source: Census 2000 Summary File 1 (SF 1) 100-Percent Data, 2001	

Wayne County Personal Income

The following table reflects the breakdown of personal income for Wayne County.

PERSONAL INCOME (In Thousands of Dollars)				
Components by Type	1997	1998	1999	2000
Personal income	50,780,175	53,299,910	55,420,561	57,699,674

Nonfarm personal income	50,775,950	53,294,312	55,414,716	57,693,224
Farm income	4,225	5,598	5,845	6,450
Population (number of persons)	2,100,674	2,085,111	2,072,114	2,058,550
Per capita personal income (dollars)	24,173	25,562	26,746	28,029
Components by Industry	1997	1998	1999	2000
Farm Earnings	4,225	5,598	5,845	6,450
Non-Farm Earnings	40,710,939	43,204,191	45,428,257	47,770,619
Private Earnings	34,896,429	37,409,263	39,486,304	41,663,310
Ag. serv., forestry, fishing, and other	91,304	104,763	121,114	0
Mining	18,028	20,556	7,665	0
Construction	1,379,582	1,514,297	1,754,748	1,923,958
Manufacturing	12,932,961	14,461,987	15,145,074	15,819,248
Durable goods	10,886,844	12,356,399	13,194,931	13,900,105
Transportation and public utilities	3,276,984	3,478,784	3,771,941	3,935,783
Wholesale trade	2,676,495	2,748,441	2,906,194	3,046,040
Retail trade	2,767,544	2,911,445	3,037,211	3,095,942
Finance, insurance, and real estate	2,437,961	2,609,601	2,542,739	2,636,299
Services	9,315,570	9,559,389	10,199,618	11,038,855
Government and government enterprises	5,814,510	5,794,928	5,941,953	6,107,309
Federal, civilian	1,041,518	1,095,171	1,133,154	1,176,913
Military	85,071	82,336	85,943	88,165
State and local	4,687,921	4,617,421	4,722,856	4,842,231

Source: U.S. Department of Commerce, Economic and Statistics Administration, Bureau of Economic Analysis, Issued May 2002

Wayne County Labor Force

CHARACTERISTICS OF LABOR FORCE	
LABOR	1990
Workers 16 years and over	822,620
Percentage who work outside of county	23.0%
Percentage who work at home	1.2%

Source: U.S. Bureau of the Census, Census of Population and Housing, 1990

WORKFORCE	
LABOR	2001
Total Workforce	974,275
Number Employed	917,600
Number Unemployed	56,675
Unemployment Rate	5.8

Source: Michigan Employment Service Agency, 2001

EARNING LEVELS/LABOR RATES AVERAGE HOURLY RATES		
CLASSIFICATION	MINIMUM*	MAXIMUM
Applications Software Specialist	8.50	16.00
Assembler - Light	4.50	8.50
Drafter (CAD)	7.00	15.50
Electrician - Industrial	8.00	15.25
Electronic Technician	7.50	13.75
Forklift Operator	5.00	10.25

General Office Clerk	4.50	8.75
General Laborer	4.75	9.25
Injection Molding Machinist	5.00	9.75
Machine Operator	5.25	10.25
Machinist	7.00	12.75
Mechanical Engineer	14.00	24.50
Production Manager/Supervisor	8.50	15.50
Quality Control Technician	7.50	15.00
Sales - Non-Technical	7.00	12.75
Secretary	5.25	12.25
Tool and Die Maker	8.00	16.50
Word Processor/Typist	5.00	11.75
Source: 1996 Survey of the Michigan Employment Security Commission		
*This survey was done in 1996, before the hourly minimum wage was increased to \$5.15 in September 1997.		

Wayne County's Largest Employers

The following tables reflect the diversity of the workforce and the largest employers in the County.

PRINCIPLE EMPLOYERS				
MANUFACTURING EMPLOYERS				
SIC	FIRM	LOCATION	EMPLOYEES	PRODUCT
3711	Chrysler Corp	Detroit	4,500	Automobile assembly
3714	American Axle & Manufacturing	Hamtramck	3,800	Automotive parts & accessories
3316	Great Lakes Steel Corp	Ecorse	3,800	Hot & cold, rolled & sheet steel
3711	Ford Motor Co	Wayne	3,700	Automobile assembling
3519	Detroit Diesel Corp	Redford	3,600	Diesel engines
3714	Ford Motor Co	Livonia	3,600	Automotive trans & components
3711	Ford Motor Co/Truck Plant	Wayne	3,500	Four wheel drive vehicle assembly
3316	Rouge Steel Co	Dearborn	3,500	Hot/cold rolled steel, HSLA by-p
2711	Detroit Newspapers	Detroit	3,500	Newspaper publishing
3711	Autoalliance Intl Inc	Flat Rock	3,500	Passenger cars
3519	Chrysler Corp	Trenton	3,300	Passenger car & truck engines
3711	General Motors Corp	Detroit	3,200	Automobile assembly
3711	Ford Motor Co	Dearborn	3,000	Auto, trucks & financial services
3465	Ford Motor Co/Stamping Plant	Woodhaven	2,700	Automotive metal stampings
3711	Ford Motor Co	Dearborn	2,500	Automobile assembly
3711	General Motors Corp	Detroit	2,500	Automobiles & trucks
3585	Ford Motor Co	Plymouth	2,040	Automotive heat/cool systems
3519	Chrysler Corp	Detroit	2,014	Automotive engines
3711	Ford Motor Co	Dearborn	1,950	Automobile assembly
3089	Ford Motor Co	Dearborn	1,800	Automotive & vinyl products
Source: Harris Publishing Company, 1998 Industrial Directory				
OTHER MAJOR EMPLOYERS				
SIC	FIRM	LOCATION	EMPLOYEES	PRODUCT
8062	St John Health System	Detroit	7,500	Health care
4512	Northwest Airlines Inc.	Detroit	7,200	Air transportation

6022	Comerica Bank	Detroit	5,708	State commercial banks
9221	City of Detroit Police Dept.	Detroit	4,700	Police protection
9441	Michigan Dept Social Services	Detroit	3,700	Government
8062	Oakwood Hospital Corporation	Dearborn	3,500	Health care
8631	Utility Workers Union of America	Dearborn	3,310	Labor organization
6324	Blue Cross Blue Shield of MI	Detroit	3,000	Health care
4941	City of Detroit	Detroit	3,000	Utility
Source: Local County Economic Development Contact				

EMPLOYMENT BY INDUSTRY (Number of Jobs)				
Components by Type	1997	1998	1999	2000
Total Employment	1,012,815	1,016,061	1,031,588	1,053,602
Wage and Salary Employment	921,745	922,579	935,725	955,144
Proprietor's employment	91,070	93,482	95,863	98,458
Farm Employment	664	632	667	647
Non-Farm Employment	1,012,151	1,015,429	1,030,921	1,052,955
Components by Industry	1997	1998	1999	2000
Private	881,817	883,727	897,796	917,949
Ag. serv., forestry, fishing, and other	4,889	5,029	5,506	0
Mining	675	648	489	0
Construction	33,852	34,335	36,768	38,736
Manufacturing	190,361	184,040	184,574	188,511
Transportation and public utilities	62,446	64,667	66,051	67,357
Wholesale trade	53,641	52,850	53,973	54,185
Retail trade	162,472	163,921	165,630	163,775
Finance, insurance, and real estate	65,790	63,909	62,270	65,114
Services	307,691	314,328	322,535	333,467
Government and government enterprises	130,334	131,702	133,125	135,006
Federal, civilian	16,609	17,362	17,102	17,765
Military	5,153	4,770	4,735	4,687
State and local	108,572	109,570	111,288	112,554
Source: U.S. Department of Commerce - Economics and Statistics Administration - Bureau of Economic Analysis, Issued May 2002				

Educational Facilities

EDUCATIONAL FACILITIES				
PUBLIC SCHOOL DISTRICT INFORMATION				
COMMUNITY	SCHOOL DISTRICT	STUDENTS	INSTRUCTORS	HIGH SCHOOLS
Allen Park	Allen Park Public Schools	3,110	141	1
Belleville	Van Buren Public Schools	6,240	334	1
Dearborn	Dearborn Public Schools	14,090	905	3
Dearborn Heights	Crestwood School District	2,585	140	1
Dearborn Heights	Dearborn Heights School District #7	2,189	105	1
Detroit	Detroit Public Schools	167,750	9,771	27
Ecorse	Ecorse Public Schools	1,400	85	1
Flat Rock	Flat Rock Community Schools	1,592	85	1
Flat Rock	Woodhaven School District	4,900	208	1
Garden City	Garden City Public Schools	5,322	312	1

Grosse Ile	Grosse Ile Township Schools	1,900	123	1
Grosse Pointe	Grosse Point Public Schools	7,740	522	2
Hamtramck	Hamtramck Public Schools	2,797	148	1
Harper Woods	Harper Woods	1,025	65	1
Highland Park	Highland Park Public Schools	3,528	244	1
Inkster	Westwood Community Schools	2,212	98	1
Inkster	Inkster Public Schools	2,525	175	1
Lincoln Park	Lincoln Park Public Schools	5,900	310	1
Livonia	Livonia Public Schools	17,265	1,100	3
Livonia	Clarenceville Schools	1,712	104	1
Melvindale-Nallen	Melvindale-Nallen Public Schools	2,023	130	1
New Boston	Huron Schools	1,865	94	1
Northville	Northville Public Schools	4,570	296	1
Plymouth-Canton	Plymouth-Canton Comm Schools	15,164	790	2
Redford	Redford Union School District	6,300	316	1
Redford	South Redford Schools	3,294	190	1
River Rouge	River Rouge School District	2,681	135	1
Riverview	Riverview Community Schools	2,116	113	1
Romulus	Romulus Community Schools	3,913	212	1
Southgate	Southgate Community Schools	4,144	207	2
Taylor	Taylor Public Schools	12,391	673	3
Trenton	Trenton Public Schools	3,199	232	1
Westland	Wayne-Westland Comm Schools	17,389	978	2
Woodhaven	Gibraltar School District	2,814	130	1
Wyandotte	Wyandotte Public Schools	4,746	267	1

Source: MI Department of Education, 1997

TWO YEAR COLLEGES AND TECHNICAL SCHOOLS

NAME	LOCATION	ENROLLMENT
Henry Ford Community College	Dearborn	14,651
Highland Park Community College	Highland Park	2,343
Wayne County Community College	Detroit	10,054
Lewis College of Business	Detroit	350
Schoolcraft College	Livonia	10,057

FOUR YEAR COLLEGES AND UNIVERSITIES

NAME	LOCATION	ENROLLMENT
Center for Creative Studies	Detroit	806
Wayne State University	Detroit	34,280
University of Michigan-Dearborn	Dearborn	8,073
Sacred Heart Major Seminary	Detroit	200
University of Detroit Mercy	Detroit	7,463
Marygrove College	Detroit	1,300
Madonna University	Livonia	4,311
Ecumenical Theological Seminary	Detroit	142
Detroit College of Law	Detroit	693
Detroit College of Business	Dearborn	3,000
Detroit Baptist Theological Seminary	Allen Park	80
Center for Humanistic Studies	Detroit	68

Source: MI Department of Education, 1996

EXHIBIT B

FIVE-YEAR FINANCIAL FORECAST

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DAVID ELLIS ACADEMY

Financial Forecast

Years Ending June 30, 2007 through 2012

Larry Wilkerson & Associates, P.C.

DAVID ELLIS ACADEMY – WEST

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Tot the Board of Directors
David Ellis Academy – West

We have compiled the accompanying forecasted statements of financial position, changes in net assets, and cash flows of David Ellis Academy – West for each year in the five-year period from June 30, 2007 through 2012, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast, information that is the representation of management, and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecasts and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Larry Wilkerson & Associates, P.C.

June 7, 2007

DAVID ELLIS ACADEMY - WEST**General Fund****Forecasted Statement of Financial Position**

	Years Ending June 30					
	2007	2008	2009	2010	2011	2012
Assets						
Cash	\$1,242,988	\$2,837,843	\$3,269,287	\$3,580,243	\$4,171,447	\$5,053,624
Debt service reserve	-	897,833	901,530	1,101,530	1,098,980	1,100,753
Due from Special Revenue	4,680	9,579	10,647	11,712	12,883	14,171
Prepaid expenses	29,125	30,000	30,570	31,273	31,961	32,664
Due from other governmental units	453,102	939,815	1,033,797	1,141,204	1,248,611	1,376,158
Accounts Receivable	-	-	-	-	-	-
Capital assets - Net	-	10,751,739	10,332,295	9,912,851	9,493,407	9,073,963
Total assets	1,729,895	15,466,809	15,578,126	15,778,813	16,057,289	16,651,333
Liabilities						
Accounts payable	174,895	178,214	186,844	204,123	221,548	241,066
Notes Payable - Det Commerce Bank LOC	750,000	-	-	-	-	-
Accrued liabilities	123,309	455,025	481,845	509,033	535,853	572,593
Long-Term Liabilities						
Due within one year	-	-	-	200,000	210,000	225,000
Due in more than one year	-	14,310,000	14,310,000	14,110,000	13,900,000	13,675,000
Total liabilities	1,048,204	14,943,239	14,978,689	15,023,156	14,867,401	14,713,659
Net Assets						
Invested in capital assets, Net of related debt		(3,558,261)	(3,977,705)	(4,197,149)	(4,406,593)	(4,601,037)
Restricted	-	3,558,261	3,977,705	4,197,149	4,406,593	4,601,037
Unrestricted	681,691	523,570	599,437	755,657	1,189,888	1,937,673
Total net assets	681,691	523,570	599,437	755,657	1,189,888	1,937,673

DAVID ELLIS ACADEMY - WEST**SPECIAL REVENUE FUND - School Service****Forecasted Statement of Financial Position**

	Years Ending June 30					
	2007	2008	2009	2010	2011	2012
Assets						
Cash	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Receivable	4,680	9,579	10,647	11,712	12,883	14,171
Total assets	4,680	9,579	10,647	11,712	12,883	14,171
Liabilities						
Accounts payable	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-
Due to Other Funds - General	4,680	9,579	10,647	11,712	12,883	14,171
Total liabilities	4,680	9,579	10,647	11,712	12,883	14,171
Net Assets						
Invested in capital assets, Net of related debt	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total net assets	\$0	\$0	\$0	\$0	\$0	\$0

DAVID ELLIS ACADEMY - WEST**DEBT SERVICE FUND
STATEMENT OF FINANCIAL POSITION**

		Years Ending June 30					
		2007	2008	2009	2010	2011	2012
Assets							
Cash		\$74,479	\$149,146	\$193,425	\$237,224	\$290,774	\$346,365
Total assets		74,479	149,146	193,425	237,224	290,774	346,365
Liabilities & Net Assets							
Net Assets		74,479	149,146	193,425	237,224	290,774	346,365
Total Liabilities & Net Assets		\$74,479	\$149,146	\$193,425	\$237,224	\$290,774	\$346,365

DAVID ELLIS ACADEMY - WEST
General Fund
Forecasted Statement of Changes in Net Assets

REVENUES	2007	2008	2009	2010	2011	2012
Local sources	\$182,890	\$48,419	\$66,905	\$81,814	\$93,693	\$113,460
State sources	2,492,309	5,169,500	5,686,450	6,277,250	6,868,050	7,569,625
Federal sources	117,460	353,225	403,548	449,059	492,070	540,615
Total revenues	2,792,659	5,571,144	6,156,903	6,808,123	7,453,813	8,223,700
EXPENDITURES						
Instruction:						
Basic programs	941,141	13,325,915	2,317,005	2,479,802	2,642,538	2,858,678
Added needs	193,914	719,412	804,591	889,440	971,983	1,070,524
Total Instruction	1,135,055	14,045,327	3,121,596	3,369,242	3,614,521	3,929,202
Support Services:						
Pupil services	34,582	116,099	120,049	124,394	129,174	134,431
Instructional staff	-	42,837	43,337	43,887	44,492	45,157
General administration	262,441	809,649	892,242	983,949	1,075,488	1,179,789
School administration	50,731	283,111	291,211	300,121	309,922	320,703
Business services	126,680	80,000	81,520	83,395	85,230	87,105
Operations and maintenance	1,186,829	417,529	428,157	440,308	453,118	466,663
Transportation	25,200	126,900	129,311	132,285	135,328	138,440
Central services	15,600	125,000	20,000	20,000	20,000	20,000
Total Support Services	1,702,063	2,001,125	2,005,827	2,128,339	2,252,752	2,392,288
Total Expenditures	2,837,118	16,046,452	5,127,423	5,497,581	5,867,273	6,321,490
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(44,459)	(10,475,308)	1,029,480	1,310,542	1,586,540	1,902,210
OTHER FINANCING SOURCES (USES)						
Proceeds from Bonds	-	14,324,906	-	-	-	-
Cost of Issuance of Bonds	-	(215,155)	-	-	-	-
Transfers to Capitalized Interest Fund/Debt Service Reserve	-	(2,349,740)	-	-	-	-
Underwriters Discount	-	(572,400)	-	-	-	-
Transfer Interest to Debt Service Fund	-	(14,906)	(849,938)	(1,049,938)	(1,047,438)	(1,049,313)
Other	-	(1,522)	-	-	-	-
Proceeds from Detroit Commerce Bank LOC	750,000	(750,000)	-	-	-	-
Transfers (to) from other funds - Student Service	(23,850)	(103,996)	(103,675)	(104,384)	(104,871)	(105,112)
Total other financing sources (uses)	726,150	10,317,187	(953,613)	(1,154,322)	(1,152,309)	(1,154,425)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	681,691	(158,121)	75,867	156,220	434,231	747,785
NET ASSETS						
ESTIMATED BEGINNING	-	681,691	523,570	599,437	755,657	1,189,888
PROJECTED ENDING	\$681,691	\$523,570	\$599,437	\$755,657	\$1,189,888	\$1,937,673

DAVID ELLIS ACADEMY - WEST**SPECIAL REVENUE FUND - SCHOOL SERVICE****Statement of Revenue and Expenditures**

	Years Ending June 30					
	2007	2008	2009	2010	2011	2012
REVENUES						
Local sources	\$10,437	\$8,600	\$9,460	\$10,406	\$11,447	\$12,591
State sources						
Federal sources	56,161	114,950	127,766	140,543	154,597	170,057
Other sources & Transfers	23,850	103,996	103,675	104,384	104,871	105,112
Total Revenues	90,448	227,546	240,901	255,333	270,915	287,760
EXPENDITURES						
School Service	90,448	227,546	240,901	255,333	270,915	287,760
Net Income	\$0	\$0	\$0	\$0	\$0	\$0

DAVID ELLIS ACADEMY - WEST**DEBT SERVICE FUND****Forecasted Statement of Revenue and Expenditures
and Significant Changes in Net Assets**

	Years Ending June 30					
	2007	2008	2009	2010	2011	2012
REVENUES						
Earnings on investments	\$74,479	\$74,667	\$59,915	\$43,798	\$53,550	\$55,590
Total revenues	74,479	74,667	59,915	43,798	53,550	55,590
EXPENDITURES						
Debt Principle & Interest	-	897,833	901,530	901,530	1,101,530	1,098,980
Subtotal (Debt Payments)	-	897,833	901,530	901,530	1,101,530	1,098,980
Total Expenditures	-	897,833	901,530	901,530	1,101,530	1,098,980
Other Financing Sources (Uses)						
Transfer from General Fund	-	-	406,886	865,469	1,057,469	1,055,021
Transfer from DSR	-	3,458	36,061	36,061	44,061	43,959
Transfer from CIF	-	894,375	442,947	-	-	-
Total Other Financing Sources	-	897,833	885,894	901,530	1,101,530	1,098,980
Excess Revenues	74,479	74,667	44,279	43,798	53,550	55,590
Estimated Beginning Net Assets	-	74,479	149,146	193,425	237,224	290,774
Projected Ending Net Assets	\$74,479	\$149,146	\$193,425	\$237,224	\$290,774	\$346,365

DAVID ELLIS ACADEMY - WEST
GENERAL FUND
Forecasted Statement of Cash Flows

	Years Ending June 30					
	2007	2008	2009	2010	2011	2012
Cash Flows from Operating Activities						
Increase in net assets	\$681,691	(\$158,121)	\$75,867	\$156,220	\$434,231	\$747,785
Adjustments to reconcile decrease in net assets to net cash from operating activities						
Changes in operating assets and liabilities which provided (used) cash						
Depreciation	-	419,444	419,444	419,444	419,444	419,444
Receivables	(486,907)	(1,390,320)	(99,317)	(309,175)	(106,716)	(131,310)
Accrued payroll and other liabilities	1,048,204	335,035	35,450	44,467	44,245	56,258
Net cash provided by operating activities	1,242,988	(793,962)	431,444	310,956	791,204	1,092,177
Cash Flows from Investing Activities						
Purchase of property and equipment	-	(11,171,183)	-	-	-	-
Net cash provided by Investing Activities	-	(11,171,183)	-	-	-	-
Cash Flows from Financing Activities						
Payment on LOC		(750,000)				
Proceeds from long-term debt	-	14,310,000	-	-	-	-
Principal payments on long-term debt	-	-	-	-	(200,000)	(210,000)
Other	-		-	-	-	-
Net cash provided by (used in) Financing activities	-	13,560,000	-	-	(200,000)	(210,000)
Net Increase in Cash	1,242,988	1,594,855	431,444	310,956	591,204	882,177
Cash - Beginning of Year	-	1,242,988	2,837,843	3,269,287	3,580,243	4,171,447
Cash - End of year	\$1,242,988	\$2,837,843	\$3,269,287	\$3,580,243	\$4,171,447	\$5,053,624

DAVID ELLIS ACADEMY – WEST

Summary of Significant Forecast Assumptions June 30, 2007 through 2012

Assumption 1 – Nature of the Forecast

This financial forecast presents to the best of management's knowledge and belief, David Ellis Academy's (the "Academy") expected financial position, changes in net assets, and its cash flows for the forecast period. Accordingly, the forecast reflects management's judgment as of March 12, 2007, the date of this forecast, of expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material.

Assumption 2 – Description of School

The Academy is a public charter school located in the metropolitan Detroit, Michigan area. The Academy was established in 2006 under the Statutes of the State of Michigan and operates with a board of directors as described in the Articles of Incorporation. The mission of the Academy is to meet the needs of the whole child by emphasizing curriculum and instruction along with extra curricular activities.

The Academy serves students in the immediate and surrounding Detroit areas. The staffing is expected to increase to approximately 70 personnel, who will provide services to between 700 and 1000 students. The Academy currently operates two elementary schools (K-8).

Assumption 3 – Summary of Significant Accounting Policies

The Academy's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

Assumption 4 – Cash

Cash: This is the amount cash forecasted to be on-hand as of June 30 for each school year.

DAVID ELLIS ACADEMY – WEST

Summary of Significant Forecast Assumptions June 30, 2007 through 2012

Assumption 4 – Cash (Continued)

The Academy has cash on deposit at financial institutions that are insured by the U.S. Federal Deposit Insurance Corporation (FDIC). At times, such deposits may be in excess of the FDIC insurance limit.

The Academy's policy for depository accounts is based on the applicable state statutes. \$100,000 of the bank balance was covered by the FDIC. The remaining Academy's bank deposits are subject to custodial risk and need to be collateralized with securities held by the financial institution's trust department. All deposits are held by financial institutions in the Academy's name.

Assumption 5 – Capital Assets

Capital assets, which include land, building, furniture, and equipment are defined as assets with an initial individual cost of more than \$1,000.00. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets ranging from 5 to 30 years.

ELLIS ACADEMY – WEST

Summary of Significant Forecast Assumptions June 30, 2007 through 2012

Assumption 5 – Capital Assets (Continued)

The following summarizes forecasted property and equipment at each fiscal year ending June 30:

	Years Ending June 30				
	2008	2009	2010	2011	2012
LAND	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
BUILDING	9,076,158	9,076,158	9,076,158	9,076,158	9,076,158
FURNITURE & FIXTURES	1,021,000	1,021,000	1,021,000	1,021,000	1,021,000
EQUIPMENT	14,500	14,500	14,500	14,500	14,500
OTHER	59,525	59,525	59,525	59,525	59,525
Total (at historical cost)	11,171,183	11,171,183	11,171,183	11,171,183	11,171,183
less accumulated depreciation for					
Building	302,539	605,078	907,617	1,210,156	1,512,695
Furniture & Fixtures	102,100	204,200	306,300	408,400	510,500
Equipment	2,900	5,800	8,700	11,600	14,500
Other	11,905	23,810	35,715	47,620	59,525
Total Accumulated Depreciation	419,444	838,888	1,258,332	1,677,776	2,097,220
Capital assets - Net	\$10,751,739	\$10,332,295	\$9,912,851	\$9,493,407	\$9,073,963

Forecasted property and equipment includes capitalization of fixed assets costing in excess of \$1,000. Depreciation is forecasted by asset category, using the straight-line method over useful lives ranging from 5 to 30 years. Forecasted depreciation expense for the years ending June 30, 2008 through 2011 is \$419,444, \$419,444, \$419,444, , and \$419,444, respectively.

ELLIS ACADEMY – WEST

Summary of Significant Forecast Assumptions June 30, 2007 through 2012

Assumption 6 – Federal and State Revenue

The Michigan Department of Education (MDE) pays the Academy for each full time equivalent student in attendance at a forecasted rate of \$7,385 annually. The Academy expects to collect all forecasted federal and state revenue from MDE.

Forecasted revenue is based on a projected 46 percent increase in student enrollment for 2008 to 2012. This enrollment is expected to result from an increase of approximately 10% each year over the forecast period.

Assumption 7 – Expenditures

In general the Academy is projecting expenditures based on a 1.9 to 2.3 percent increase in the Consumer Price Index over the forecast period, in addition to enrollment increases. The Academy is projecting a 10 percent increase in enrollment each year over the forecast period. The total pupil count is as follows:

<u>Year</u>	<u>Pupil Count</u>
2007	340
2008	700
2009	770
2010	850
2011	930
2012	1,025

Below is a summary of the major expenditures that the Academy incurs:

Personnel Expenses – These expenses are forecasted by determining the number of faculty needed each year, as well as factoring yearly salary and benefit increases. Management has forecasted increases in the number of staff based on corresponding student enrollment levels. The forecasted number of staff is as follows:

<u>Year</u>	<u>Staff</u>
2007	18
2008	71
2009	76
2010	80
2011	84
2012	90

DAVID ELLIS ACADEMY – WEST

Summary of Significant Forecast Assumptions June 30, 2007 through 2012

Assumption 7 – Expenditures a (Continued)

These expenses increase 6% in 2008 and 6% in 2009 to reflect the need for staff as well as increases in salary and benefits. From 2010 to 2012, personnel expenses continue to increase as enrollments increase.

Instruction Expense – Instruction expense mirrors the trend in enrollment, increasing 31 percent from 2008 to 2012.

Support Services Expenses – This expense is forecasted to increase in line with enrollment as well.

Administrative Expenses – Administrative expenses are expected to increase significantly during the period 2008 through 2012. A large component of this increase is enrollment expenses, which are forecasted to increase at the rate of 10% per year. Additional increases will be incurred related to the repayment of debt.

Management Fees – The management company provides the Academy with innovative and comprehensive educational programs, as well as some financial assistance in cash management, payroll, budgeting, and accounting. The management fee paid to the management company is a fixed fee that is agreed upon in the management agreement. The management company is also reimbursed for any funds that it spends on the Academy's behalf.

Assumption 8 – Income Tax

The Academy is recognized as an entity described in Section 501(c)(3) of the Internal Revenue Code and is thereby exempt from income taxation.

			DEC YTD 2006	JAN - JUN 2007	FY 2006-7	2007-8	2008-9	2009-10	2010-11	2011-12
		# of Students	358	328	340	700	770	850	930	1,025
		REVENUE - 10								
		REVENUE FROM LOCAL SOURCES								
150- 0000		Interest on Investments				\$47,369	\$65,750	\$80,539	\$92,298	\$111,922
192- 0002		Start Up Grants	150,000		150,000					
199- 0000		Miscellaneous Income	32,890		32,890	1,050	1,155	1,275	1,395	1,538
		Total Local Source	182,890	0	182,890	48,419	66,905	81,814	93,693	113,460
		REVENUE FROM STATE SOURCES								
311- 0001		State Aid - Foundation	1,006,342	1,409,513	2,415,855	4,833,483	5,301,662	5,848,699	6,397,661	7,051,548
312- 0000		Special Ed Headlee Obligation	5,330	7,995	13,325	25,331	43,033	51,288	57,619	63,143
312- 3063		At-Risk	25,300	37,829	63,129	310,687	341,756	377,263	412,770	454,934
312- 1300		MEAP Achievement Incentive								
		Total State Source	1,036,972	1,455,337	2,492,309	5,169,500	5,686,450	6,277,250	6,868,050	7,569,625
		REVENUE FROM FEDERAL SOURCES								
414- 7001		Federal - Title I		80,000	80,000	250,000	275,000	303,571	332,143	366,071
414- 7003		Federal - Title IIA		17,920	17,920	56,350	61,985	68,425	74,865	82,513
313- 7004		Federal - Title IID		1,920	1,920	5,750	6,325	6,982	7,639	8,420
313- 7004		Federal - Title V-A		5,120	5,120	16,125	17,737	19,580	21,423	23,612
		Subtotal Federal Revenue	0	104,960	104,960	328,225	361,048	398,559	436,070	480,615
312- 0590		Special Education - Flow Thru		12,500	12,500	25,000	42,500	50,500	56,000	60,000
		Total Federal Revenue	0	117,460	117,460	353,225	403,548	449,059	492,070	540,615
		TOTAL REVENUE	1,219,862	1,572,797	2,792,659	5,571,144	6,156,903	6,808,123	7,453,813	8,223,700
		OUTGOING TRANSFERS AND OTHER TRANSACTIONS								
		School Service	(8,357)	(15,493)	(23,850)	(103,996)	(103,675)	(104,384)	(104,871)	(105,112)
		Other Financing Sources - LOC/Loan	750,000		750,000	14,300,000				
		Total revenue after outgoing transfers & other sources	\$1,961,505	\$1,557,304	\$3,518,809	\$19,767,148	\$6,053,228	\$6,703,739	\$7,348,942	\$8,118,588
					I					

			DEC YTD 2006		JAN - JUN 2007		FY 2006-7		2007-8		2008-9		2009-10		2010-11		2011-12	
			FTE	ACTUAL	FTE	PROJECT	FTE		FTE		FTE		FTE		FTE		FTE	
111- 1240		INSTRUCTION - ELEMENTARY																
		Teacher Salaries	8.2	\$143,678	8.2	\$215,517	8.2	\$359,195	20.5	\$902,000	22.5	\$990,000	24.5	\$1,078,000	26.5	\$1,166,000	29.5	\$1,298,000
111- 1630		Aide Salaries	2.5	21,892	2.5	32,538	2.5	54,230	8.0	192,000	8.0	192,000	8.0	192,000	8.0	192,000	8.0	192,000
		SUBTOTAL SALARIES	10.7	165,370	10.7	248,055	10.7	413,425	28.5	1,094,000	30.5	1,182,000	32.5	1,270,000	34.5	1,358,000	37.5	1,490,000
111- 2110		Group Life						1,109				1,186		1,264		1,342		1,456
111- 2120		Long Term Disability																
111- 2130		Health Insurance		505		758		1,263		130,329		139,475		148,621		157,767		171,486
111- 2140		Dental Insurance																
111- 2150		Vision Insurance																
111- 2820		Retirement																
111- 2840		Workers' Compensation		612		918		1,530		4,376		4,728		5,080		5,432		5,966
111- 2850		Unemployment Compensation		1,040		1,560		2,600		29,538		31,914		34,290		36,666		40,230
111- 2830		Social Security - FICA - 6.2%		10,253		15,379		25,632		67,828		73,284		78,740		84,196		92,381
111- 2830		Social Security - Med. - 1.45%		2,398		3,597		5,995		15,863		17,139		18,415		19,691		21,605
111- 2920		Cash Option in Lieu																
		SUBTOTAL FRINGE BENEFITS		14,808		22,212		37,020		249,043		267,727		286,410		305,094		333,120
111- 3200		Travel																
111- 3220		Workshops & Conferences		35		53		88		16,750		17,068		17,461		17,845		18,234
111- 3610		Printing & Binding								1,200		1,223		1,251		1,278		1,307
111- 4120		Repair and Maintenance																
111- 4220		Rent Equipment								5,630		5,737		5,869		5,988		6,130
111- 5100		Teaching Supplies		41,531		62,297		103,828		13,400		13,655		13,969		14,276		14,590
111- 5200		Textbooks								33,500		34,137		34,922		35,690		36,475
111- 6410		Capital Outlay		37,415		56,123		93,538		7,448,493		1,019		1,042		1,065		1,085
111- 7400		Dues/Memberships								4,000		4,076		4,170		4,261		4,355
111- 7900		Miscellaneous Expenses								3,350		3,414		3,492		3,569		3,645
111- 7960		Drug Free Schools																
		SUBTOTAL OTHER EXPENDITURES		78,981		118,473		197,454		7,526,323		80,328		82,175		5,578,778		

			DEC YTD 2006		JAN - JUN 2007		FY 2006-7			2007-8		2008-9		2009-10		2010-11		2011-12	
			FTE	ACTUAL	FTE	PROJECT	FTE		FTE		FTE		FTE		FTE		FTE		
		INSTRUCTION - MIDDLE / JUNIOR HIGH SCHOOL																	
112-	1240	Teacher Salaries	4.1	\$71,731	4.1	\$107,597	4.1	\$179,328	13.0	\$572,000	14.0	\$616,000	15.0	\$660,000	16.0	\$704,000	17.0	\$748,000	
112-	1630	Aide Salaries							0.0										
		SUBTOTAL SALARIES	4.1	71,731	4.1	107,597	4.1	179,328	13.0	572,000	14.0	616,000	15.0	660,000	16.0	704,000	17.0	748,000	
112-	2110	Group Life								506		545		594		622		661	
112-	2120	Long Term Disability																	
112-	2130	Health Insurance		217		326		543		59,448		64,021		68,594		73,167		77,740	
112-	2140	Dental Insurance																	
112-	2150	Vision Insurance																	
112-	2820	Retirement																	
112-	2840	Workers' Compensation		265		398		663		2,288		2,464		2,640		2,816		2,992	
112-	2850	Unemployment Compensation		398		598		996		15,444		16,632		17,820		19,008		20,196	
112-	2830	Social Security - FICA - 6.2%		4,447		6,671		11,118		35,464		38,192		40,920		43,648		46,376	
112-	2830	Social Security - Med. - 1.45%		1,040		1,560		2,600		8,294		8,932		9,570		10,208		10,846	
112-	2920	Cash Option in Lieu																	
		SUBTOTAL FRINGE BENEFITS		6,368		9,553		15,921		121,444		130,786		140,128		149,470		158,812	
112-	3200	Travel																	
112-	3220	Workshops & Conferences								8,375		8,534		8,730		8,922		9,119	
112-	3610	Printing & Binding								600		611		625		639		653	
112-	4120	Repair and Maintenance																	
112-	4220	Rent Equipment								2,815		2,868		2,934		2,999		3,065	
112-	5100	Teaching Supplies		20,769		31,154		51,923		6,700		6,827		6,984		7,138		7,295	
112-	5200	Textbooks								16,750		17,068		17,461		17,845		18,238	
112-	6410	Capital Outlay		18,428		27,642		46,070		3,724,190		510		521		533		544	
112-	7400	Dues/Memberships								2,000		2,038		2,085		2,131		2,178	
112-	7900	Miscellaneous Expenses								1,675		1,707		1,746		1,784		1,824	
112-	7960	Drug Free Schools																	
		SUBTOTAL OTHER EXPENDITURES		39,197		58,796		97,993		3,763,105		40,164		41,088		41,992		42,915	
		TOTAL INSTRUCTION MIDDLE/JUNIOR HI	4.1	\$117,296	4.1														

			DEC YTD 2006		JAN - JUN 2007		FY 2006-7		2007-8	2008-9	2009-10	2010-11	2011-12
	# Special Education Pupils		1.0	1.0	FTE	1.0	FTE	35	38	43	47	52	
	<u>SPECIAL EDUCATION</u>		FTE	ACTUAL	FTE	PROJECT	FTE	FTE	FTE	FTE	FTE	FTE	
122- 1240	Teacher Salaries							0	0				
	SUBTOTAL SALARIES		0.0	0	0.0	0	0.0	0	0.0	0	0.0	0.0	
122- 2110	Group Life												
122- 2120	Long Term Disability												
122- 2130	Health Insurance												
122- 2140	Dental Insurance												
122- 2150	Vision Insurance												
122- 2820	Retirement												
122- 2840	Workers' Compensation												
122- 2850	Unemployment Compensation												
122- 2830	Social Security - FICA - 6.2%												
122- 2830	Social Security - Med. - 1.45%												
122- 2920	Cash Option in Lieu												
	SUBTOTAL FRINGE BENEFITS			0	0	0	0	0	0	0	0	0	
122- 1240	Educational Contracted		12,500		13,325		25,825	66,380	87,400	98,900	108,100	119,600	
122- 3200	Travel												
122- 3220	Workshops & Conferences							2,500	2,548	2,606	2,663	2,722	
122- 3610	Printing & Binding							180	183	188	192	196	
122- 4120	Repair and Maintenance												
122- 4220	Rent Equipment							840	856	876	895	915	
122- 5100	Teaching Supplies							2,000	2,038	2,085	2,131	2,178	
122- 5200	Textbooks							5,000	5,095	5,212	5,327	5,444	
122- 6400	Capital Outlay							2,500	2,548	2,606	2,663	2,722	
122- 7400	Dues/Memberships							600	611	625	639	653	
122- 7900	Miscellaneous Expenses							500	510	521	533	544	
122- 7960	Drug Free Schools												
	SUBTOTAL OTHER EXPENDITURES		12,500		13,325		25,825	80,500	101,788	113,619	123,143	134,974	
	TOTAL SPECIAL EDUCATION		0.0	\$12,500	0.0	\$13,325	0.0	\$80,500	\$101,788	\$113,619	\$123,143	\$134,974	

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			DEC YTD 2006		JAN - JUN 2007		FY 2006-7		2007-8		2008-9		2009-10		2010-11		2011-12		
			FTE	ACTUAL	FTE	PROJECT	FTE		FTE		FTE		FTE		FTE		FTE		
		SUPPORT SERVICES - INSTRUCTIONAL STAFF																	
222- 1230		222-1230 Librarian					1.0	\$30,000	1.0	\$30,000	1.0	\$30,000	1.0	\$30,000	1.0	\$30,000	1.0	\$30,000	
		SUBTOTAL SALARIES	0.0	0	0.0	0	1.0	30,000	1.0	30,000	1.0	30,000	1.0	30,000	1.0	30,000	1.0	30,000	
222- 2110		Group Life						39			39			39				39	
222- 2120		Long Term Disability																	
222- 2130		Health Insurance						4,573		4,573				4,573				4,573	
222- 2140		Dental Insurance																	
222- 2150		Vision Insurance																	
222- 2820		Retirement																	
222- 2840		Workers' Compensation						120		120				120		120		120	
222- 2850		Unemployment Compensation						810		810				810		810		810	
222- 2830		Social Security - FICA - 6.2%						1,860		1,860				1,860		1,860		1,860	
222- 2830		Social Security - Med. - 1.45%						435		435				435		435		435	
222- 2920		Cash Option in Lieu																	
		SUBTOTAL FRINGE BENEFITS		0	0	0		7,837		7,837				7,837		7,837		7,837	
222- 3200		Travel																	
222- 3220		Workshops & Conferences																	
222- 4120		Repair and Maintenance																	
222- 4220		Rent Equipment																	
222- 5100		Teaching Supplies																	
222- 5200		Textbooks						5,000		5,000				6,050		6,655		7,321	
222- 6400		Capital Outlay																	
222- 7400		Dues/Memberships																	
222- 7900		Miscellaneous Expenses																	
222- 7960		Drug Free Schools																	
		SUBTOTAL OTHER EXPENDITURES		0	0	0		5,000		5,000				6,050		6,655		7,321	
		TOTAL INSTRUCTIONAL STAFF	0.0	\$0	0.0	\$0	1.0	\$42,837	1.0	\$43,337	1.0	\$43,887	1.0	\$44,492	1.0	\$45,157	1.0	\$45,807	
																		IX	

			DEC YTD 2006	JAN - JUN 2007	FY 2006-7	2007-8	2008-9	2009-10	2010-11	2011-12
		<u>BOARD OF EDUCATION</u>								
231- 1140		Board Salaries								
231- 1160		Recording Secretary		\$1,440	\$1,440	\$2,400	\$2,446	\$2,502	\$2,557	\$2,613
231- 3170		Legal Services	24,450	36,675	61,125	4,000	4,076	4,170	4,261	4,355
231- 3180		Audit Services				12,000	13,000	14,000	15,000	16,000
231- 3220		Workshops & Conferences								
231- 3430		Postage				5,000	5,095	5,212	5,327	5,444
231- 3500		Advertising				50,000	55,000	60,500	66,550	69,205
231- 3600		Accounting Services								
231- 7400		Dues/Memberships								
231- 7900		Miscellaneous Expenses								
		TOTAL BOARD OF EDUCATION	\$24,450	\$38,115	\$62,565	\$73,400	\$79,617	\$86,384	\$93,695	\$97,617
				X						

**David Ellis Academy - West
Six Year Projected Budget**

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			DEC YTD 2006		JAN - JUN 2007		FY 2006-7		2007-8		2008-9		2009-10		2010-11		2011-12	
		SCHOOL ADMINISTRATION	FTE	ACTUAL	FTE	PROJECT	FTE		FTE		FTE		FTE		FTE		FTE	
241-1150		241-1150 Salary - Staff Coordinator							1.0	\$90,000	1.0	\$90,000	1.0	\$90,000	1.0	\$90,000	1.0	\$90,000
241-1620		241-1620 Salary - Dean of Students							1.0	45,000	1.0	45,000	1.0	45,000	1.0	45,000	1.0	45,000
241-1620		241-1620 Salary - Admin. Assist.							1.0	35,000	1.0	35,000	1.0	35,000	1.0	35,000	1.0	35,000
		SUBTOTAL SALARIES	0.0	0	0.0	0	0.0	0	3.0	170,000	3.0	170,000	3.0	170,000	3.0	170,000	3.0	170,000
241-2110		Group Life								117		117		117		117		117
241-2120		Long Term Disability																
241-2130		Health Insurance								13,719		13,719		13,719		13,719		13,719
241-2140		Dental Insurance																
241-2150		Vision Insurance																
241-2820		Retirement																
241-2840		Workers' Compensation								680		680		680		680		680
241-2850		Unemployment Compensation								4,590		4,590		4,590		4,590		4,590
241-2830		Social Security - FICA - 6.2%								10,540		10,540		10,540		10,540		10,540
241-2830		Social Security - Med. - 1.45%								2,465		2,465		2,465		2,465		2,465
241-2920		Cash Option in Lieu																
		SUBTOTAL FRINGE BENEFITS		0		0		0		32,111		32,111		32,111		32,111		32,111
241-3200		Travel								2,500		2,750		3,025		3,328		3,660
241-3220		Workshops & Conferences								5,000		5,500		6,050		6,655		7,321
241-3430		Postage		320		480		800		7,500		8,250		9,075		9,983		10,981
241-3510		Advertising								2,000		2,200		2,420		2,662		2,928
241-3610		Printing & Binding								7,000		7,700		8,470		9,317		10,249
241-4120		Repair and Maintenance										0		0		0		0
241-4220		Rent Equipment		5,680		8,520		14,200		25,000		27,500		30,250		33,275		36,603
241-5100		Teaching Supplies										0		0		0		0
241-5200		Textbooks										0		0		0		0
241-5410		Periodicals								4,500		4,950		5,445		5,990		6,588
241-5910		Office Supplies		2,269		3,404		5,673		25,000		27,500		30,250		33,275		36,603
241-7400		Dues/Memberships								500		550		605		666		732
241-7900		Miscellaneous Expenses		12,023		18,035		30,058		2,000		2,200		2,420		2,662		2,928
241-7960		Drug Free Schools																
		SUBTOTAL OTHER EXPENDITURES		20,292		30,439		50,731		81,000		89,100		98,010		107,811		118,592
		TOTAL SCHOOL ADMINISTRATION																

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XIV																	
		DEC YTD 2006		JAN - JUN 2007		FY 2006-7		2007-8		2008-9		2009-10		2010-11		2011-12	
		FTE	ACTUAL	FTE	PROJECT	FTE		FTE		FTE		FTE		FTE		FTE	
OPERATION & MAINTENANCE		1.0	\$32,345	1.0	\$48,518	1.0	\$80,863	1.0	\$60,000	1.0	\$60,000	1.0	\$60,000	1.0	\$60,000	1.0	\$60,000
261-1640 Salaries - Bldg. Engineer		1.0	13,476	1.0	20,214	1.0	33,690	1.0	25,000	1.0	25,000	1.0	25,000	1.0	25,000	1.0	25,000
261-1640 Custodian		2.0	45,821	2.0	68,732	2.0	114,553	2.0	85,000	2.0	85,000	2.0	85,000	2.0	85,000	2.0	85,000
SUBTOTAL SALARIES									78		78		78		78		78
Group Life																	
Long Term Disability																	
Health Insurance									9,146		9,146		9,146		9,146		9,146
Dental Insurance																	
Vision Insurance																	
Retirement																	
Workers' Compensation									340		340		340		340		340
Unemployment Compensation									2,295		2,295		2,295		2,295		2,295
Social Security - FICA - 6.2%			2,841		4,261		7,102		5,270		5,270		5,270		5,270		5,270
Social Security - Med. - 1.45%			664		997		1,661		1,233		1,233		1,233		1,233		1,233
Cash Option in Lieu																	
SUBTOTAL FRINGE BENEFITS			3,505		5,258		8,763		18,361		18,361		18,361		18,361		18,361
Contract Labor - Security									40,000		44,000		48,400		53,240		58,564
Contract Services - Security			3,212		4,818		8,030		15,000		15,285		15,637		15,981		16,332
Travel																	
Telephone			2,044		3,066		5,110		15,750		16,049		16,418		16,796		17,182
Heat			5,109		7,664		12,773		39,364		40,112		41,035		41,979		42,944
Electric			5,824		8,736		14,560		44,870		45,722		46,774		47,850		48,950
Water & Sewerage			2,418		3,627		6,045		18,634		18,988		19,425		19,872		20,329
Waste / Trash Disposal			138		207		345		21,000		21,399		21,891		22,395		22,910
Insurance - Liability			90,633		0		90,633		60,000		61,140		62,546		63,985		65,456
Repairs / Maint. Land/Bldg			735		1,103		1,838		26,250		27,563		28,941		30,388		31,907
Repairs / Maint. Equipment			2,100		3,150		5,250		8,500		8,662		8,861		9,056		9,255
Miscellaneous Repair									1,000		1,019		1,042		1,065		1,089
Rental Building			367,056		550,584		917,640										
Misc. Supplies and Materials			516		774		1,290		20,000		21,000		22,050		23,153		24,310
Bank Charges									800		800		800		800		800
Miscellaneous Expenses									3,000		3,057		3,127		3,199		3,273
SUBTOTAL OTHER EXPENDITURES			479,785		583,728		1,063,513		314,168		324,796		336,				

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David Ellis Academy - West
Six Year Projected Budget

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EXHIBIT C

SELECTED FINANCIAL INFORMATION ON THE ACADEMY

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David Ellis Academy - West
Original and Amended Budget
For the year ended June 30, 2007

	ORIGINAL		AMENDED	
	Budget	Monthly	Budget	Monthly
	<u>2006 - 07</u>	<u>2006 - 07</u>	<u>2006 - 07</u>	<u>2006 - 07</u>
	Based on 330		Based on 309	
Revenue:				
Revenue - Local Sources	64,900.00	6,490.00	64,900.00	6,490.00
Revenue - State Sources	2,367,750.00	215,250.00	2,217,075.00	201,552.27
Revenue - Planning/Implementation Grant	300,000.00	30,000.00	300,000.00	30,000.00
Revenue - Federal Sources	57,000.00	5,700.00	57,000.00	5,700.00
Revenue - Other Sources	<u>15,000.00</u>	<u>1,500.00</u>	<u>15,000.00</u>	<u>1,500.00</u>
Total Revenue	<u>2,804,650.00</u>	<u>258,940.00</u>	<u>2,653,975.00</u>	<u>245,242.27</u>
Instruction:				
Instructional Staff/Administrative Staff	504,257.00	42,021.42	615,256.98	51,271.42
Fringe Benefits	75,739.49	6,311.62	84,230.99	7,019.25
Staff Training	3,000.00	300.00	3,000.00	300.00
Paraprofessional Staff	172,000.00	12,370.04	35,009.78	954.19
Fringe Benefits	43,758.00	3,646.50	33,278.25	2,773.19
Educational Contracted	105,000.00	10,500.00	131,818.48	13,181.85
Education Supplies & Testing	101,600.00	10,160.00	91,600.00	9,160.00
Professional Development	0.00	-	0.00	-
Travel (Staff)	0.00	-	0.00	-
Library/Media	0.00	-	0.00	-
Equipment Expenses	<u>55,000.00</u>	<u>4,583.33</u>	<u>55,000.00</u>	<u>4,583.33</u>
Total Instruction	1,060,354.49	89,892.92	1,049,194.48	89,243.22
Pupil Services:				
Clerical Staff	89,702.00	7,660.00	89,702.00	7,660.00
Fringe Benefits	22,162.20	1,245.75	22,162.20	1,245.75
Transportation	33,300.00	3,330.00	49,950.00	4,995.00
Fieldtrips	6,500.00	1,666.67	6,500.00	1,666.67
Athletics Expenses	<u>7,500.00</u>	<u>83.33</u>	<u>7,500.00</u>	<u>83.33</u>
Total Pupil Services	159,164.20	13,985.75	175,814.20	15,650.75
Board of Education:				
Board Expenses	0.00	0.00	0.00	0.00
Auditing Fees	8,000.00	666.67	8,000.00	666.67
Legal Fees	<u>20,000.00</u>	<u>1,666.67</u>	<u>10,000.00</u>	<u>833.33</u>
Total Board of Education	28,000.00	2,333.33	18,000.00	1,500.00
General Administration:				
DPS Administrative Fee	71,032.50	6,457.50	66,512.25	6,046.57
Administrative Service Fee	<u>236,775.00</u>	<u>21,525.00</u>	<u>221,707.50</u>	<u>20,155.23</u>
Total General Administration	307,807.50	27,982.50	288,219.75	26,201.80
School Administration:				

David Ellis Academy - West
Original and Amended Budget
For the year ended June 30, 2007

Office Supplies	10,000.00	833.33	10,000.00	833.33
Postage	3,000.00	250.00	3,000.00	250.00
Leased Equipment	6,000.00	500.00	6,000.00	500.00
Dues and Memberships	4,000.00	333.33	4,000.00	333.33
Miscellaneous Expenses	<u>5,000.00</u>	<u>416.67</u>	<u>5,000.00</u>	<u>416.67</u>
Total School Administration	28,000.00	2,333.33	28,000.00	2,333.33
Operations & Maintenance:				
Support Staff	91,900.00	7,658.33	120,400.02	10,033.34
Construction Costs	300,000.00		300,000.00	
Facilities Expenses:				
Bldg. Lease Fees	180,000.00	15,000.00	180,000.00	15,000.00
Heat	35,785.75	2,982.15	35,785.75	2,982.15
Electric	40,790.75	3,399.23	40,790.75	3,399.23
Water & Sewage	16,940.00	1,411.67	16,940.00	1,411.67
Waste/Trash Disposal	20,000.00	1,666.67	5,790.00	482.50
Repairs	25,000.00	2,083.33	25,000.00	2,083.33
Supplies	14,000.00	1,166.67	14,000.00	1,166.67
Fringe Benefits	<u>17,230.35</u>	<u>1,435.86</u>	<u>19,410.60</u>	<u>1,617.55</u>
Total Operations & Maintenance	741,646.85	36,803.90	758,117.12	38,176.43
Food Services:				
Food Service Staff	54,200.00	4,516.67	72,699.12	6,058.26
Fringe Benefits	4,146.30	345.53	5,561.48	463.46
Lunch Program Expenses	<u>30,000.00</u>	<u>2,500.00</u>	<u>30,000.00</u>	<u>2,500.00</u>
Total Food Services	88,346.30	7,362.19	108,260.60	9,021.72
Business Services:				
Vending	0.00	-	0.00	-
General Insurance	80,000.00	6,666.67	105,600.00	8,800.00
Fundraising Expenses	5,000.00	500.00	5,000.00	500.00
Advertising	15,000.00	1,250.00	1,500.00	125.00
Telecommunications	15,000.00	1,250.00	15,000.00	1,250.00
Payroll Service Charges	8,400.00	700.00	8,400.00	700.00
Bank Service Charges	800.00	66.67	800.00	66.67
Interest Fees	33,000.00	2,750.00	33,000.00	2,750.00
Accounting	<u>37,700.00</u>	<u>3,141.67</u>	<u>37,700.00</u>	<u>3,141.67</u>
Total Business Services	194,900.00	16,325.00	207,000.00	17,333.33
Outgoing Transfers (Lunch Program)	<u>18,000.00</u>	<u>1,800.00</u>	<u>18,000.00</u>	<u>1,800.00</u>
Total Expenditures	<u>2,626,219.34</u>	<u>198,818.93</u>	<u>2,650,606.15</u>	<u>201,260.58</u>
Income (Loss)	<u>178,430.66</u>	<u>60,121.07</u>	<u>3,368.85</u>	<u>43,981.70</u>

**David Ellis Academy - West
Combined Balance Sheet
Governmental Fund Types
As of December 31, 2006**

	<u>General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Total Memorandum Only 31-Dec-06</u>
ASSETS			
Cash	165,078.94	-	165,078.94
DEA West Operating Capital	<u>200,000.60</u>		<u>200,000.60</u>
 Total Assets	 <u>\$ 365,079.54</u>	 <u>\$ -</u>	 <u>\$ 365,079.54</u>
 LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts Payable	13,871.34	-	13,871.34
Line of Credit - Detroit Commerce Bank	<u>750,000.00</u>		<u>750,000.00</u>
 Total Liabilities	 <u>\$ 763,871.34</u>	 <u>\$ -</u>	 <u>\$ 763,871.34</u>
Fund Equity:			
Fund Balance	(398,791.80)	-	(398,791.80)
Investment in general fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
 Total Fund Equity	 <u>\$ (398,791.80)</u>	 <u>\$ -</u>	 <u>\$ (398,791.80)</u>
 Total Liabilities & Fund Equity	 <u>\$ 365,079.54</u>	 <u>\$ -</u>	 <u>\$ 365,079.54</u>

UNAUDITED

David Ellis Academy - West
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - All Governmental Fund Types
For the period ended December 31, 2006

	<u>General</u> <u>Fund</u>	<u>School</u> <u>Service Fund</u>	<u>Total</u>
REVENUES:			
Local Sources		43,901.08	43,901.08
State Sources	749,152.84	-	749,152.84
Federal Sources		-	-
Other Sources	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	749,152.84	43,901.08	793,053.92
 EXPENDITURES:			
Instruction	422,055.13	-	422,055.13
Support Services:			
Pupil Services	13,688.50	-	13,688.50
General Administration	110,359.43	-	110,359.43
School Administration	8,268.23	-	8,268.23
Business Services	138,490.95	-	138,490.95
Operation and Maintenance of Plants	427,965.69	-	427,965.69
Transportation	3,600.00	-	3,600.00
Food Service Program	-	36,178.97	36,178.97
Board of Education	17,925.00	-	17,925.00
Athletic and other student programs	144.00	-	144.00
	<hr/>	<hr/>	<hr/>
Total Support Services	720,441.80	36,178.97	756,620.77
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,142,496.93	36,178.97	1,178,675.90
	<hr/>	<hr/>	<hr/>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(393,344.09)	7,722.11	(385,621.98)
 TRANSFERS AND OTHER TRANSACTIONS			
Transfers (to) from other funds	7,722.11	(7,722.11)	-
	<hr/>	<hr/>	<hr/>
EXCESS REVENUE OVER EXPENDITURES AND TRANSFERS AND OTHER TRANSACTIONS	(385,621.98)	-	(385,621.98)
	<hr/>	<hr/>	<hr/>
 FUND BALANCE - December 31, 2006	\$ (385,621.98)	\$ -	\$ (385,621.98)
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UNAUDITED

David Ellis Academy - West
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
All Governmental Fund Types
For the quarter ended December 31, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local Sources	43,901.08	38,940.00	4,961.08
State Sources	749,152.84	1,209,313.62	(460,160.78)
Federal Sources	-	34,200.00	(34,200.00)
Other Sources	-	9,000.00	(9,000.00)
		-	
Total Revenues	793,053.92	1,291,453.62	(498,399.70)
 EXPENDITURES:			
Instruction	422,055.13	535,459.32	113,404.19
Support Services:			
Pupil Services	13,688.50	63,434.52	49,746.02
General Administration	110,359.43	157,210.80	46,851.37
School Administration	8,268.23	13,999.98	5,731.75
Business Services	138,490.95	103,999.98	(34,490.97)
Operation and Maintenance of Plants	427,965.69	229,058.58	(198,907.11)
Transportation	3,600.00	29,970.00	26,370.00
Food Service Program	36,178.97	54,130.32	17,951.35
Board of Education	17,925.00	9,000.00	(8,925.00)
Athletic and other student programs	144.00	499.98	355.98
Total Support Services	756,620.77	661,304.16	(95,316.61)
Total Expenditures	1,178,675.90	1,196,763.48	18,087.58
 EXCESS REVENUES OVER (UNDER) EXPENDITURES	(385,621.98)	94,690.14	(480,312.12)
 FUND BALANCE - December 31, 2006	<u>\$ (385,621.98)</u>	<u>\$ 94,690.14</u>	<u>\$ (480,312.12)</u>

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EXHIBIT D

**SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS
PERTAINING TO PUBLIC SCHOOL ACADEMIES**

EXHIBIT D

SUMMARY OF CERTAIN MICHIGAN STATUTORY PROVISIONS PERTAINING TO PUBLIC SCHOOL ACADEMIES

Definition of Public School Academy (M.C.L. § 380.501(1), 380.502(1))

A public school academy is state-supported public school that is considered both a body corporate and a governmental agency. According to the statutes, a public school academy corporation must be organized under Michigan's non-profit corporation act, M.C.L. §§ 450.2101 to 450.3192. A public school academy is also considered a school district for purposes of borrowing money and issuing notes and bonds pursuant to M.C.L. § 380.1225 and 380.1351a, respectively, and it is subject to the leadership and general supervision of the state board of public education. The state board of education is responsible for issuing an annual comprehensive report evaluating public school academies to the house and senate committees on education. See M.C.L. § 380.501a.

Sponsors of and Applicants for Public School Academies (M.C.L. § 380.502)

Charter contracts may be issued by any one of the following authorizing bodies: (i) local school districts, (ii) intermediate school districts, (iii) community colleges, and (iv) state public universities. Any person interested in operating a public school academy may apply to an authorizing body.

Currently, there is a cap on the number of charter contracts that can be issued by state public universities. The number of contracts for public school academies issued by all state public universities is 150. The number of contracts issued by any one state university shall not exceed 50% of the maximum total that may be issued by state universities.

Method of Establishment and Oversight of Public School Academies (M.C.L. § 380.502(3-7))

When a person applies for a contract to operate a public school academy, the application must: (1) identify the applicant; (2) list the proposed members of the board of directors of the public school academy and a description of the qualifications and method for appointment or election of the board of directors; (3) include a copy of the proposed articles of incorporation for the public school academy, including (i) the name of the proposed public school academy, (ii) the purposes of the public school academy, (iii) the name of the authorizing body, (iv) the proposed time when the articles of incorporation will be effective, and (v) other matters as necessary; (4) include a copy of the proposed bylaws of the public school academy; (5) document the requirements of the authorizing body, including (i) the governance structure of the public school academy, (ii) a copy of the educational goals of the public school academy, the curricula to be offered, and the methods of pupil assessment, (iii) the admission policy and criteria to be maintained, (iv) the school calendar and school day schedule, and (v) the age or grade range of pupils to be enrolled; (6) describe staff responsibilities and the governance structure; (7) identify the local and intermediate school districts in which the public school academy will be located; (8) agree that the public school academy will comply with all applicable state and federal laws; (9) for an application to a school district, assure that employees of the public school academy will be covered by collective bargaining agreements that apply to other public employees in schools; and (10) describe and identify the address where the public school academy will be located.

An authorizing body that issues a contract for a public school academy must oversee the public school academy to ensure that the public school academy is in compliance with statutes, rules, and the terms of the contract. If an authorizing body grants a charter contract, it may charge a fee that does not exceed 3% of the total state school aid received by the public school academy in the school year in which

the fees and expenses are charged. An authorizing body may contract with a public school academy for other services aside from the oversight services.

Legal Status of Public School Academy (M.C.L. § 380.501, 380.503b)

A public school academy is a body corporate, a governmental agency, a public school, and is considered a school district under certain provisions of State law. If a public school academy enters into an agreement, mortgage, loan, or other instrument of indebtedness with a third party, such arrangement does not constitute an obligation, either general, special, or moral of the State of Michigan or the authorizing body. The State or an authorizing body is not liable for any debt incurred by a public school academy.

Public School Academy Funding (§ 388.1601 et. seq.; § 141.2101 et. seq.)

A public school academy receives funding through the per pupil base foundation, as calculated in Michigan's State School Aid Act, M.C.L. § 388.1601 et. seq. The School Aid Act currently provides that pupil membership is based upon a blended count of 75% of the current September count plus 25% of the prior February supplemental count, all as determined by the Michigan Department of Education. A public school academy's State School Aid is sent directly to the academy's authorizing body, which takes its 3% fee and then forwards the remainder of the aid payments to the public school academy. Pursuant to the State School Aid Act, a school district receives its annual State School Aid entitlement in eleven equal Financing Agreements on dates in October through August, subject to certain statutory adjustments. By law, a public school academy's State School Aid payment must not exceed the per-pupil base foundation received by the local school district in which the public school academy is located.

A public school academy may not charge tuition and may not levy taxes. A public school academy may receive federal grant funds directly from the Michigan Department of Education by following the same procedures that local school districts are required to follow. A public school academy may borrow money and may issue bonds in accordance with the Revised School Code, M.C.L. § 380.1 et. seq., and the Revised Municipal Finance Act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Authorizing Body's Duties With Respect to State School Aid Payments (M.C.L. § 380.507)

The authorizing body for a public school academy is the fiscal agent for the public school academy; therefore, it receives state school aid payments on behalf of the public school academy and then forwards such aid payments to the public school academy (less a fee that it may charge which does not exceed 3% of the total state school aid received by the public school academy in the school year in which the fees and expenses are charged).

Withholding payment; plan for financing outstanding obligation defaulted upon by a public school academy; use of amounts withheld; agreement assigning or pledging payment (M.C.L. § 388.1617a(1) and a(3))

The Michigan Department of Treasury may withhold all or part of any payment of State School Aid that a public school academy is entitled to receive to the extent the withholdings are a component part of a plan, developed and implemented pursuant to the revised municipal finance act, 2001 PA 34, MCL 141.2101, et al, or other statutory authority, for financing an outstanding obligation upon which the public school academy defaulted. Amounts withheld shall be used to pay, on behalf of the public school academy, unpaid amounts or subsequently due amounts, or both, of principal and interest on the outstanding obligation upon which the public school academy defaulted.

Under an agreement entered into by a public school academy assigning all or a portion of the payment of State School Aid that it is eligible to receive to a trustee of a pooled arrangement, such as the

Authority, or pledging the amount for payment of an obligation it incurred with a trustee of a pooled arrangement, the state treasurer shall transmit to a trustee designated by the Authority or the trustee of a pooled arrangement the amount of the payment of the State School Aid that is assigned or pledged under the agreement. Notwithstanding the payment dates prescribed by this act for distributions under this act, the state treasurer may advance all or part of a payment that is dedicated for distribution or for which the appropriation authorizing the payment has been made if and to the extent, under the terms of an agreement entered into by a district or intermediate district and the Michigan municipal bond authority, the payment that the district or intermediate district is eligible to receive has been assigned to or pledged for payment of an obligation it incurred with the Michigan municipal bond authority. This section does not require the State of Michigan to make an appropriation to any public school academy and shall not be construed as creating an indebtedness of the State of Michigan, and any agreement made pursuant to this section shall contain a statement to that effect.

Deficit Budget or Operating Deficit (M.C.L. § 388.1702)

Michigan law provides that a public school academy receiving State School aid shall not adopt or operate under a deficit budget, or incur an operating deficit in any fund, during a school fiscal year. Where a public school academy has an existing deficit or incurs a deficit fund balance, such public school academy shall not receive payments under the School Aid Act until it submits to the Michigan Department of Education (the "Department") a budget for the current school fiscal year and a plan for the elimination of the deficit not later than the end of the second school fiscal year after the deficit was incurred. In addition, a public school academy with an existing deficit or which incurs a deficit shall submit to the Department a monthly monitoring report on revenue and expenditures in a form prescribed by the Department. Any State School Aid funds that have been withheld from a public school academy due to a deficit will be released to the public school academy after the Department approves the deficit reduction plan and ensures that the budget for the current school fiscal year is balanced.

Application of Money Received Under State School Aid Act (M.C.L. § 388.1618(1))

Not more than 20% of the total amount of State School Aid received by a public school academy may be transferred by the board to either a capital projects fund or to the debt retirement fund for debt service. The Michigan Department of Treasury determines the reasonableness of expenditures and may withhold State School Aid from a public school academy otherwise due for the fiscal year following the discovery by the Michigan Department of Treasury of a violation by the recipient.

Property of Public School Academy to be Transferred to State (M.C.L. 388.1618b)

Property of a public school academy, including title to all real and personal property, interests in real or personal property, and other assets owned by the public school academy corporation, that was acquired substantially with State School Aid funds shall be transferred to the State by the public school academy corporation if any of the following occur:

- (a) The public school academy has been ineligible to receive State School Aid for 18 consecutive months;
- (b) The public school academy's charter has been revoked;
- (c) The public school academy's charter has not been reissued by the authorizing body.

The State Treasurer of the State of Michigan, or his designee, is authorized to dispose of property transferred to the State in this fashion. Except as otherwise provided in this section, the State Treasurer of the State of Michigan shall deposit in the state school aid fund any money included in that property and the net proceeds from the sale of the property or interests in property, after payment by the State

Treasurer of the State of Michigan of any public school academy debt secured by the property or interest in property.

Revocation of Charter (M.C.L. § 380.507)

A charter contract may be revoked by the authorizing body for the following reasons: (1) failure of the public school academy to abide by and meet the educational goals set forth in the contract, (2) failure of the public school academy to comply with all applicable law, (3) failure of the public school academy to meet generally accepted public sector accounting principles, and (4) any other grounds for revocation as specified in the charter contract. The decision to revoke a contract is in the discretion of the authorizing body, is final, and is not subject to review by a court or any state agency.

Issuance of Contracts (M.C.L. § 380.503)

Public school academy contracts shall be issued on a competitive basis, while taking the following into consideration: (1) the resources available for the proposed public school academy, (2) the population to be served by the public school academy, and (3) the educational goals to be achieved by the public school academy. With respect to applications to a local school district, if the board denies an application for a public school academy contract, the person who applied for the contract may petition the board to place the question of the issuance of the contract on a ballot to be decided by the school electors of the school district. The petition must contain the same requirements that are to be included in an application for a charter contract and must be signed by at least 15% of the school electors in that school district.

Within 10 days of issuing a contract for a public school academy, the authorizing body must submit to the superintendent of public instruction a copy of the contract and application. The authorizing body must also adopt a resolution establishing the method of selection, length of term, and number of members of the board of directors of each public school academy subject to its jurisdiction.

A public school academy contract must at least include the following: (1) the educational goals of the public school academy and methods by which it will be held accountable (at a minimum, the pupil performance must be assessed using a Michigan educational assessment program (“MEAP”) test or an assessment instrument developed under Michigan’s Revised School Code); (2) the method to be used to monitor the public school academy’s compliance with applicable laws and its performance in meeting its educational objectives; (3) a description of the process for amending the contract during the term of the contract; (4) all the matters required to be included in the application to an authorizing body for a charter contract; (5) for public school academies authorized by a school district, an agreement that the employees of the public school academy will be covered by any collective bargaining agreements that apply to the employees of the school district; (6) procedures and grounds for revoking the contract; (7) a description and address of the physical plant in which the public school academy will be located; and (8) requirements and procedures for financial audits, which are to be conducted at least annually by a certified public accountant in accordance with generally accepted governmental auditing principles.

Among the laws with which public school academies must comply are Michigan’s Revised School Code, Michigan’s State School Aid Act, the Open Meetings Act, the Freedom of Information Act, the Uniform Budgeting and Accounting Act, the Revised Municipal Finance Act, and other state and federal laws applicable to public school academies.

Public school academies and their board members, officers and staff have governmental immunity. Public school academies may acquire, hold, and own in their own name buildings and other property for school purposes and may condemn property if certain conditions are met. Public school

academies are exempt from all taxation on their earnings and property. They may not levy ad valorem property taxes or any other taxes for any purpose.

Tuition and Admission at Public School Academies (M.C.L. § 380.504)

A public school academy may not charge tuition and may not discriminate in its pupil admissions policies or practices based on race, disability, religion, gender, test scores, intellectual or athletic ability, measures of achievement or aptitude, or any other basis prohibited by law. However, a public school academy may predetermine the ages, grades, and number of students it will serve. If the number of applications to enroll in the public school academy exceeds the school's enrollment capacity, the public school academy shall use a random selection process for selecting pupils. Public school academies may operate any grades from kindergarten through grade 12 and may also operate early childhood education programs, an adult basic education program, adult high school completion program, or general educational development testing preparation program.

Additional Powers of Public School Academies (M.C.L. § 380.504a, 380.506)

In addition to other powers, a public school academy may take action to carry out its educational mission. For that purpose, a public school academy has the power to: (i) sue and be sued, (ii) acquire, hold, and own in its own name real and personal property for educational purposes, and sell or convey the property, (iii) receive, disburse, and pledge funds for lawful purposes, (iv) enter into binding legal agreements with persons or entities as necessary for the operation, management, financing, and maintenance of the public school academy, (v) incur temporary indebtedness as authorized by state statutes, (vi) solicit and accept grants or gifts for educational purposes and establish non-profit corporations for the purpose of assisting the public school academy in furtherance of its public purposes, and (vii) borrow money and issue bonds in accordance with relevant state statutes.

Bonds issued by a public school academy are full faith and credit obligations of the public school academy, pledging the general funds or any other money available for such a purpose. Bonds issued by a public school academy are subject to the revised municipal finance act, 2001 PA 34, M.C.L. §§ 141.2101 to 141.2821.

Public school academies, with the approval of the authorizing body, may employ or contract with personnel as necessary for the operation of the public school academy, prescribe their duties, and fix their compensation.

Teachers and Noncertified Individuals (M.C.L. § 380.505)

Teachers in public school academies are subject to the same certification requirements as traditional public schools, with two exceptions. First, public school academies authorized by a state university may use as a classroom teacher a faculty member who is employed full-time by the university and has institutional tenure or is designated as being on tenure track. Second, public school academies authorized by a community college may use as a classroom teacher a full-time faculty member who has at least five years experience in teaching the subject matter he or she is teaching at the public school academy. Public school academies may develop and implement new teaching techniques or make significant revisions to known techniques. Public school academies must report these practices to the authorizing body and the state board.

THE CHARTER SCHOOL LAWS AND SCHOOL AID ACT ARE SUBJECT TO MODIFICATION BY THE MICHIGAN LEGISLATURE. THE AMOUNT, TIMING AND METHODOLOGY FOR CALCULATION OF STATE SCHOOL AID HAS CHANGED SIGNIFICANTLY IN RECENT YEARS, AND IS SUBJECT TO FUTURE LEGISLATIVE CHANGES.

EXHIBIT E

**SUMMARY OF CERTAIN TERMS OF THE
PRINCIPAL FINANCING DOCUMENTS**

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EXHIBIT E

SUMMARY OF CERTAIN TERMS OF THE PRINCIPAL FINANCING DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Financing Agreement and of definitions of certain terms used therein and in this Official Statement. Reference is made to the Indenture and the Financing Agreement for a complete statement of the provisions of such documents. Until the dated delivery of the Series 2007 Bonds, the provisions of these documents are subject in all respects to changes, deletions and variations therein and thereafter to supplement and amendment in accordance with these terms. Except as otherwise defined herein, the terms defined or used in this summary which are defined in the Indenture or the Financing Agreement shall have the same meanings herein as in those respective documents.

DEFINITIONS OF CERTAIN TERMS

“Academy” means David Ellis Academy - West, its successors or assigns.

“Additional Bonds” means the additional bonds which are authorized to be issued in one or more series from time to time under the Indenture.

“Additional Payments” means all payments required of the Academy under the Financing Agreement other than Scheduled Installment Payments.

“Authority” means the Michigan Public Educational Facilities Authority.

“Authorized Academy Representative” means the President of the Academy or any other officer of the Academy so designated by resolution of the Academy Board.

“Beneficial Owner” means, when the Bonds are held in a book-entry only system, the owner of a Bond or portion thereof for federal income tax purposes.

“Bond” or “Bonds” means the Series 2007 Bonds and any Additional Bonds authorized to be issued under the Indenture.

“Bond Counsel” means a firm of nationally recognized attorneys at law acceptable to the Authority and experienced in legal work relating to the issuance of bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code.

“Bond Documents” means the Financing Agreement, the Mortgage, the Indenture, the State Aid Agreement, the Continuing Disclosure Agreement and the Bond Purchase Agreement.

“Bond Fund” means the Bond Fund established under the Indenture.

“Bond Payment Date” means any of the dates specified in the Indenture for payment of interest on the Bonds and payment of principal, i.e., the first day of June and December of each year, and the first day of June for principal until the respective Bonds are paid in accordance with their terms, the first Bond Payment Date being December 1, 2007.

“Bondholder” or “holder” (when used in reference to Bonds) means the registered owner of any Bond.

“Bond Register” means the books of the Authority kept by the Trustee to evidence the registration, transfer and exchange of Bonds.

“Bond Servicing Costs” means the fees, expenses and charges, other than those constituting Costs of Issuance, from time to time payable to the Authority, the Trustee, rating agencies, Bond Counsel, Counsel, accountants, professional accountants, financial advisor, service companies or others and directly related or allocable to the Bonds, and such other fees and expenses as may be provided in the Financing Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations proposed and promulgated from time to time thereunder and under the predecessor code.

“Collateral Documents” means the State Aid Agreement, Mortgage and any other agreements related thereto or entered into by the Academy for the purpose of pledging collateral as security for the Academy’s obligations under the Financing Agreement.

“Costs of Issuance” means any administrative costs of the Authority or Academy or items of expense payable or reimbursable directly or indirectly by the Authority or Academy and related to the authorization, sale, and issuance of the Bonds or acquisition thereof, which items of expense shall include, but not be limited to, underwriter or placement agent fees, printing costs, costs of reproducing documents, filing and recording fees, fees and charges of the Trustee, fees and charges of the Authority, legal fees and charges, professional consultants’ fees, financial advisor’s fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the Costs of Issuance Fund established pursuant to the Indenture.

“Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia.

“Default” means an event which, with notice and lapse of time, would constitute an Event of Default under the Indenture or under the Financing Agreement.

“Effective Date” means the date of delivery of the Series 2007 Bonds at which time the Indenture becomes effective.

“Eligible Investment” shall mean such of the following as shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys will be required for the purposes intended:

(a) Government Obligations;

(b) Any bonds or other obligations of any state of the United States of America or of any local governmental unit of any such state which (a) are rated at the time of purchase in the highest rating category by Standard & Poor’s Ratings Services based on an escrow, (b) are not callable unless irrevocable instructions have been given to the trustee of such bonds to give due notice of redemption and to call such bonds for redemption on the date(s) specified in such instructions, and (c) are secured by cash and/or Government Obligations;

(c) Direct and general obligations of any state of the United States of America, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, provided such obligations are rated at the time of purchase in either of the two highest rating categories by Standard & Poor’s Ratings Services;

(d) Obligations of any state of the United States of America or any local governmental unit of any such state which shall be rated at the time of purchase in the highest rating category by Standard & Poor's Ratings Services;

(e) Certificates that evidence ownership of the right to payments of principal or interest on the obligations described in clause (i), provided that (a) such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Indenture; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in a special account separate from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated;

(f) Certificates of deposit, whether negotiable or nonnegotiable, and banker's acceptances of any bank in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, or any savings and loan association in the United States whose deposits are insured by the Federal Deposit Insurance Corporation or its successor, provided that such certificate of deposit or banker's acceptance is from a bank or from a savings and loan association having a combined capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000) provided further that such certificate of deposit or banker's acceptance is secured by Government Obligations with a market value equal to the principal amount of such certificate of deposit or banker's acceptance over the amount guaranteed by the Federal Deposit Insurance Corporation or its successor, and provided further that such certificate of deposit or banker's acceptance is rated at least A-1+ by Standard & Poor's Ratings Services at the time of purchase and has a maturity of not more than 365 days;

(g) U.S. dollar denominated deposit accounts, federal funds with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase, provided such investments are permitted by 1855 PA 105, as amended. (Ratings on holding companies are not considered as the rating of the bank). The Trustee may conclusively rely upon the Authority's instructions as to compliance with such act;

(h) to the extent approved by the State Treasurer, debentures or notes issued by any of the following Federal agencies: Bank for Cooperatives, Federal Intermediate Credit Bank, Federal Loan Bank, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Bank (including participation certificates issued by such Associations) and all other obligations issued or in the opinion of the Attorney General of the United States unconditionally guaranteed as to principal and interest by any agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, and

(i) Securities of, or other interests in, a no-load, open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. §§80a-1 to 80a-64, so long as the portfolio of the investment company or investment trust is limited to (i) United States government obligations and repurchase agreements fully collateralized by United States government obligations and the investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian or (ii) securities of, or other investments in, an

investment company or investment trust which meets the foregoing requirements, and is rated at least AAAm or AAAm-G by Standard & Poor's Ratings Services.

"Enabling Legislation" shall mean Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is not prohibited by the laws of the State or the Bond Documents and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2007 Bonds.

"Financing Agreement" or "Agreement" means the Financing Agreement between the Authority and the Academy, dated as of June 1, 2007, as the same may be amended or supplemented in accordance with its terms and the terms of the Indenture.

"Government Obligations" means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form), (ii) obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, (iii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (i) and (ii) provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a special account separate from the general assets of such custodian, and (iv) municipal obligations the timely payment of the principal and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (i), (ii) or (iii); provided such obligations are not subject to call by the obligor for redemption prior to maturity, have been called for redemption prior to maturity or, if subject to call by the obligor for redemption prior to maturity, such right to call the obligation for redemption prior to maturity has been waived; provided, however, Government Obligations shall not include any investment which is prohibited or not permitted by the Enabling Legislation.

"Indenture" means the Trust Indenture between the Authority and the Trustee dated as of June 1, 2007, as the same may be amended or supplemented in accordance with its terms.

"Interest Payment Date" means, with respect to the Series 2007 Bonds, June 1 and December 1 of each year commencing December 1, 2007.

"Investment Agreement" means any agreement for the investment of funds held under the terms of the Indenture which is authorized by law, which has been approved by an authorized officer of the Authority.

"Investment Income" means the earnings and profits derived from the investment of moneys in the Project Fund, Reserve Fund, Costs of Issuance Fund and Bond Fund pursuant to the Indenture.

"Management Agreement" means the Management Agreement dated as of August 9, 2006, as amended as of June 2007, between the Academy and Bardwell Group, Inc., a Michigan corporation, as amended or restated from time to time, and any other subsequent management agreement between the Academy and a management company relating to the management of the Academy's operations.

"Management Consultant" means a professional consulting firm, certified public accounting firm, investment banking firm, or other Person, selected by the Academy, having the skill and experience in the business of Michigan public school academies necessary to render the report required by the Financing Agreement and having a favorable reputation for such skill and experience, which Person shall have no

interest, direct or indirect, in the Academy and shall not have a partner, member, director, officer or employee who is a partner, member, director, officer or employee of the Academy.

“Mortgage” means the Mortgage made by the Academy to the Trustee encumbering the Site as security for the Academy’s obligations under the Financing Agreement, as it may be amended or restated from time to time.

“Nonarbitrage Certificate” means, collectively, the Nonarbitrage Certificate delivered by the Authority and the Nonarbitrage and Tax Compliance Certificate delivered by the Academy in connection with the initial delivery of the Series 2007 Bonds.

The term “Outstanding” or “Bonds Outstanding” means the Bonds which have been delivered under the Indenture, except:

- a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation;
- b) Bonds, or portions thereof, for the payment or prepayment of which funds shall have been deposited with the Trustee (whether on or prior to the maturity or prepayment date of any such Bonds); provided, however that if such Bonds are to be redeemed prior to maturity thereof, notice of such prepayment shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and
- c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture.

“Payment Date” shall mean the 20th day of each January, February, March, April, May, June, July, August, October, November and December, unless otherwise adjusted in accordance with the requirements of the Financing Agreement.

“Project Fund” means the Project Fund established pursuant to the Indenture.

“Project” means the acquisition of the Site and construction of building improvements thereon and equipment and furnishings to be used at the Site, as more fully described in the forepart of the Official Statement under the heading “THE PROJECT”, and related Project costs.

“Registered Owner” means, in connection with a Bond, the person in whose name the Bond is registered on the books of the Authority as kept by the Trustee pursuant to the Indenture.

“Repair and Replacement Account” means the account by that name established within the Bond Fund pursuant to the Indenture.

“Reserve Fund” means the Reserve Fund established pursuant to the Indenture.

“Reserve Fund Payments” means all payments required of the Academy to replenish any deficiency in the Reserve Fund pursuant to the Financing Agreement.

“Reserve Fund Requirement” means an amount equal to \$1,059,787.50 which constitutes the least of (i) the maximum annual principal and interest requirements on the Series 2007 Bonds, (ii) 125% of the average annual principal and interest requirements on the Series 2007 Bonds, or (iii) 10% of the original principal amount of the Bonds (net of original issue discount)

“Resolution” means the resolutions adopted by the Authority authorizing, among other things, the issuance and sale of the Series 2007 Bonds.

“Scheduled Installment Payments” means the payments due from the Academy under the Financing Agreement and consisting of a Scheduled Principal Component, a Scheduled Interest Component and a Set-Aside Component.

“Scheduled Interest Component” means the portion of the Scheduled Installment Payment to be intercepted and allocated to a payment of the interest on the Financing Agreement and the Municipal Obligation, as set forth in the Financing Agreement.

“Scheduled Principal Component” means the portion of the Scheduled Installment Payment to be intercepted and allocated to repayment of the principal amount of the Financing Agreement and the Municipal Obligation, as set forth in the Financing Agreement.

“School Aid Act” means the State School Aid Act, Michigan Public Act 94 of 1979, as amended, or any successor legislation in replacement thereof.

“School Code” means the Revised School Code, Act No. 451 of the Michigan Public Acts of 1976, as amended, or any successor legislation in replacement thereof.

“Security” means the properties, rights and interest of the Authority specified in the Indenture assigned and pledged to the Trustee as security for the payment of the Bonds, as described under “THE INDENTURE—Security” below.

“Seller” means Adam J. Maida, Roman Catholic Archbishop of the Archdiocese of Detroit.

“Series 2007 Bonds” means the \$14,370,000 Michigan Public Educational Facilities Authority Limited Obligation Revenue Bonds (David Ellis Academy - West Project), Series 2007.

“Set-Aside Component” means the portion of the Scheduled Installment Payment to be intercepted and allocated for the payment of principal of and/or interest on the Series 2007 Bonds in the calendar month(s) in which no Payment Date for State School Aid exists, as set forth in the Financing Agreement.

“Site” means the real property and improvements commonly known as 19800 Beech Daly Road, Redford, Michigan, as further described in the Financing Agreement.

“Sponsor” means the Bay Mills Community College Board of Regents.

“State” means State of Michigan.

“State Aid Agreement” means the State Aid Agreement dated as of June 1, 2007 among the Authority, the State Treasurer of the State of Michigan, the Sponsor, the Academy and the Trustee.

“State Aid Intercept Account” means the account by that name established within the Bond Fund pursuant to the Indenture.

“State School Aid” means state school aid payments made to the Academy pursuant to the School Aid Act or any successor law providing for funding of public schools in Michigan.

“Surplus Bond Proceeds” shall mean any proceeds remaining in the Project Fund upon completion of the Project, as determined in accordance with the Financing Agreement.

“Trustee” means U.S. Bank National Association, a national banking association, or any successor Trustee serving under the Indenture.

“Unassigned Rights” means the right of the Authority to make all determinations and approvals and receive all notices accorded to it under the Financing Agreement and to enforce in its name and for its own benefit certain provisions of the Financing Agreement with respect to the Authority fees and expenses, and indemnity payments as the interests of the Authority and related persons shall appear.

THE INDENTURE

Authority Covenants

The Authority represents and covenants under the Indenture as follows:

(a) All representations and covenants of the Authority in the Indenture and in any proceeding, document or certification incidental to issuance of the Bonds shall not create a pecuniary liability of the State of Michigan, the Authority or any agency or employee thereof, except to the extent of available Security. The Authority’s obligations under the Indenture and under the Series 2007 Bonds are limited obligations payable solely out of and to the extent of available Security.

(b) The Authority shall, but only out of the Security, promptly pay the principal of, premium, if any, and interest on the Bonds at the place, on the dates and in the manner provided in the Bonds. The Authority shall promptly perform and observe all of its covenants, undertakings and obligations set forth in the Indenture, the Bonds or the Financing Agreement.

(c) The Authority represents that (i) it is duly authorized under the laws of the State of Michigan to issue the Bonds, and to execute, deliver and perform the terms of the Financing Agreement and the Indenture, (ii) all actions on its part for the issuance of the Bonds and the execution and delivery of the Financing Agreement and the Indenture have been duly taken, (iii) the Bonds upon issuance, and the Financing Agreement and the Indenture upon delivery, shall be valid and enforceable obligations of the Authority in accordance with their terms, (iv) it has not heretofore conveyed, assigned, pledged or otherwise disposed of the Security, and (v) it has no knowledge of any right of set-off; defense or counterclaim to payment or performance of the terms or conditions of the Financing Agreement.

(d) The Authority represents that (i) no litigation or administrative action of any nature has been served upon and is now pending, restraining or enjoining its issuance or delivery of the Bonds or its execution and delivery of the Financing Agreement and the Indenture, or in any manner questioning the proceedings or authority under which the same are being delivered, or affecting the validity of the same, (ii) no contest is pending as to its existence or the incumbency or authority of its present officers, (iii) no authority or proceeding for the issuance of the Bonds or for the payment or security thereof has been repealed, revoked or rescinded, (iv) no petition seeking to initiate any referendum or other measure affecting the same or the proceedings therefor has been served upon the Authority and (v) to the best of the knowledge of the members and officers of the Authority, none of the foregoing actions is threatened.

(e) All books and documents in the possession of the Authority relating to the Bonds and the income and revenues derived from payments under the Financing Agreement shall at all reasonable times be open to inspection by the Trustee and/or its attorneys and agents.

(f) No member, officer or employee of the Authority, including any person executing the Indenture or Bonds, shall be liable personally on the Bonds or subject to any personal liability for any reason relating to the issuance of the Bonds.

Security

The Bonds, together with interest thereon and redemption premium with respect thereto, are limited obligations of the Authority secured by the Financing Agreement, are and shall always be payable solely from the revenues and income derived from the Financing Agreement (except to the extent paid out of moneys attributable to proceeds of the Bonds or the income from the temporary investment thereof), are and shall always be a valid claim of the holders thereof only against the revenues and income derived from the Financing Agreement and from other instruments assigned to or held by the Trustee, which revenues and income shall be used for no other purpose than to pay the principal installments of, redemption premium, if any, and interest on the Bonds, except as may be expressly authorized otherwise in the Indenture or the Financing Agreement. The Bonds and the obligation to pay interest thereon and redemption premiums with respect thereto do not now and shall never constitute an indebtedness or a general obligation of the State of Michigan or the Sponsor, or a general obligation of the Authority, within the purview of any constitutional or statutory limitation or provision, or a charge against the general credit or taxing powers, if any, of either of them, but shall be secured by the Security, and shall be payable solely from the revenues and income derived from the Financing Agreement. No owner of the Bonds shall have the right to compel the exercise of the taxing power, if any, of the State of Michigan or any political subdivision thereof to pay any principal installment of, premium, if any, or interest on the Bonds. The Authority has no taxing power.

The Series 2007 Bonds and the interest thereon shall be a limited obligation of the Authority as described above, and shall be secured by and payable only from the following:

- a) all Scheduled Installment Payments received by the Authority under the Financing Agreement, which Scheduled Installment Payments are to be paid directly by the Academy to the Trustee and deposited in the Bond Fund;
- b) all moneys and securities in the Bond Fund, the Reserve Fund, the Costs of Issuance Fund and the Project Fund, including the proceeds of the Series 2007 Bonds pending disbursement thereof pursuant to the Indenture;
- c) all of the Authority's rights and interest in the Agreement, except the Unassigned Rights; and
- d) all of the proceeds of the foregoing, including without limitation investments thereof and Investment Income.

The foregoing are collectively the "Security", and, in consideration of the purchase of the Series 2007 Bonds and the obligations of the Trustee under the Indenture; and to secure payment of the principal, premium, if any, and interest in the Series 2007 Bonds and the performance of the Authority's obligations under the Series 2007 Bonds and the Indenture, the Authority conveys, pledges, assigns and grants a security interest in the Security to the Trustee, and its successors and assigns. This pledge shall be valid and binding from and after the effective date of the Indenture and the Security shall immediately be subject to the lien of such pledge without any physical delivery thereof, recordation of the Indenture, or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

Additional Bonds

The Authority reserves the right to and may, but shall not be required to, issue Additional Bonds upon the request of the Academy, without limit in one or more series for the purposes set forth in, and subject to the requirements of, the Financing Agreement. Additional Bonds shall be of the same priority

as the Series 2007 Bonds, and all Bonds issued under the Indenture shall be equally and ratably payable from and secured by the Security, except as to the Reserve Fund, but the Additional Bonds shall bears such dates and interest rates, have maturity dates and redemption dates and prices, and be issued at such prices as shall be approved in writing by the Authority and the Academy.

Project Fund

The Indenture establishes a Project Fund with the Trustee. On the Effective Date, the balance of the proceeds of the Series 2007 Bonds not otherwise deposited in the Bond Fund, Reserve Fund or Costs of Issuance Fund shall be deposited in the Project Fund. The Trustee is authorized and directed to make disbursements from the Project Fund on any requisition certificate meeting the requirements of the Financing Agreement. The Trustee shall rely fully on any such requisition certificate delivered pursuant to the Indenture and shall not be required to make any investigation in connection therewith. The Trustee shall keep and maintain adequate records pertaining to the Project Fund and all receipts and disbursements pertaining thereto, and shall furnish monthly statements with respect thereto to the Academy and the Authority. The records of the Trustee with respect to all income and disbursements relating to the Project Fund shall be made available by the Trustee at its designated office during normal business hours, subject to reasonable regulations established by the Trustee, to the Academy and the Authority. Upon receipt of the completion certificate in the form required by the Financing Agreement, the Trustee shall deposit the Surplus Bond Proceeds, if any, in the Bond Fund to be used to pay principal or interest of the Series 2007 Bonds on the next available Bond Payment Date.

Bond Fund

The Indenture establishes a Bond Fund with the Trustee. Within the Bond Fund there shall be established separate trust accounts to be designated the "Revenue Account" and "State Aid Intercept Account." There shall be deposited in the State Aid Intercept Account of the Bond Fund all pledged State School Aid payments received by the Trustee pursuant to the Financing Agreement. There shall be deposited in the Revenue Account of the Bond Fund all other moneys received by the Trustee for deposit in the Bond Fund.

There shall be deposited in the Bond Fund (a) any proceeds of the Series 2007 Bonds required to be deposited in the Bond Fund pursuant to the Indenture to pay accrued interest or capitalized interest, if any, on the Series 2007 Bonds; (b) all Scheduled Installment Payments and Additional Payments under the Agreement, including all proceeds resulting from the enforcement of the Security or any of the Collateral Documents or the realization thereof; (c) investment earnings transferred from the Reserve Fund; and (d) all other moneys received by the Trustee under the Financing Agreement or the Indenture for deposit in the Bond Fund, including Surplus Bond Proceeds, if any.

Amounts on deposit in the State Aid Intercept Account of the Bond Fund shall be paid out and applied in the following order of priority:

(i) first, amounts will be transferred to the Revenue Account of the Bond Fund to satisfy any Scheduled Installment Payment required to be made by the Academy;

(ii) second, amounts will be transferred to the Reserve Fund to satisfy any Reserve Fund Payment required to be made by the Academy;

(iii) third, as specified in the Agreement and/or as periodically directed by an authorized officer of the Authority, amounts will be used to pay Additional Payments (including any Bond Servicing Costs) required to be made by Academy;

(iv) fourth, for credit to the Repair and Replacement Account, the amount of \$5,000 or such lesser amount as is necessary to bring the amount credited to the Repair and Replacement Account to \$500,000, and provided that the maximum total credit in any fiscal year of the Academy shall not exceed \$50,000; and

(v) fifth, so long as no Event of Default has occurred and is continuing and after satisfaction of all Scheduled Installment Payments, Additional Payments, if any, then due or coming due during the month of such payment, the balance of any moneys remaining in the State Aid Intercept Account shall be distributed to the Sponsor or as otherwise directed by the Authority in accordance with the requirements of the Financing Agreement.

The Authority authorizes and directs the Trustee, and the Trustee agrees, to withdraw sufficient funds from the Bond Fund to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. The Authority and Trustee shall at the direction of the Academy use such moneys to redeem Bonds in the manner and amount as directed, subject to the provisions for redemption of Bonds in the Indenture.

The funds held in the Revenue Account of the Bond Fund shall be invested in accordance with the Indenture. After payment of all principal of, premium, if any, and interest on the Bonds then due as of each June 1 and satisfaction of any other Additional Payments then due, the Trustee shall determine the amount of excess funds then held in the Bond Fund as a result of such investment earnings and credit such amount towards the Scheduled Installment Payment to be paid from the Academy's State School Aid intercepted on the next Payment Date.

In the event any Bonds shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if funds sufficient to pay the principal of and interest on such Bonds shall have been made available to the Trustee for the benefit of the Bondholders, all liability of the Authority and any and all liability of the Academy to the Bondholders, respecting payment of such Bonds shall forthwith cease and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Bondholders who shall thereafter be restricted exclusively to such funds for any claim under the Indenture or with respect to the Bonds or the interest thereon.

Reserve Fund

The Indenture establishes a Reserve Fund with the Trustee. On the Effective Date, proceeds of the Series 2007 Bonds in an amount equal to the Reserve Fund Requirement shall be deposited in the

Reserve Fund. The Reserve Fund shall receive from time to time moneys required to be deposited therein by the Academy pursuant to the Financing Agreement.

If at any time there are not sufficient funds in the Bond Fund for the payment of principal of, premium, if any, and interest on the Series 2007 Bonds as the same become due, the Trustee shall withdraw from the Reserve Fund and deposit in the Bond Fund sufficient moneys which, when added to the moneys on deposit in the Bond Fund, will be sufficient to meet the payment of principal of, premium, if any, and interest then due on the Series 2007 Bonds.

Earnings realized from Eligible Investments in the Reserve Fund shall be transferred to the Bond Fund on or after each June 1 and December 1, unless the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement, in which case earnings on the Reserve Fund shall be retained in the Reserve Fund until the amount on deposit therein equals the Reserve Fund Requirement.

Costs of Issuance Fund

The Indenture establishes a Costs of Issuance Fund with the Trustee. Proceeds of the Series 2007 Bonds in amount set forth in the Indenture shall be deposited in the Costs of Issuance Fund and shall be expended and disbursed to pay Costs of Issuance in accordance with the written instructions of the Academy delivered to the Trustee. Any funds remaining in the Costs of Issuance Fund after 30 days after the Effective Date shall be transferred to the Project Fund.

Investment of Funds

Any moneys held as part of the Project Fund, the Bond Fund, the Costs of Issuance Fund and the Reserve Fund shall, subject to the provisions of the Nonarbitrage Certificate, be invested and reinvested by the Trustee in accordance with the oral directions of the Academy (promptly confirmed in writing) in Eligible Investments.

Amounts Remaining in Funds and Accounts

Any amounts remaining in the Project Fund, the Bond Fund and the Reserve Fund after full payment of the Bonds and the fees, expenses and other costs and amounts required to be paid under the Financing Agreement or the Indenture shall be paid by the Trustee to the Academy upon full payment of the Financing Agreement.

Events of Default and Remedies

Each of the following events is an “Event of Default” under the Indenture:

(a) Default in the due and punctual payment of interest, premium, if any, or principal on the Bonds, whether at the stated maturity thereof, or upon redemption, or upon the maturity thereof by declaration or otherwise; or

(b) The Authority shall default in the performance or observance of any other covenant, agreement or condition on its part in the Indenture or the Bonds, and continuance of such default for a period of 45 days after written notice thereof to the Authority and the Academy from the Trustee or the holders of not less than 51% in principal amount of the Bonds; provided, however, if such Default is such that it cannot be cured within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable and will not have a material adverse effect on the Bondholders or any of the security for the Series 2007 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected; or

(c) occurrence of an “Event of Default” under and as defined in the Financing Agreement.

Upon the occurrence and continuance of any Event of Default of which it has notice the Trustee may, and upon written request of the holders of not less than 51% in principal amount of the Bonds then Outstanding shall, enforce its rights by any one or more of the following remedies:

(i) Declare the entire principal of and accrued interest on the Bonds to be immediately due and payable;

(ii) Bring action at law or suit in equity upon the Bonds or under the Indenture;

(iii) Enforce its rights under the Financing Agreement, the Collateral Documents or any other security provided by the Academy; or

(iv) Pursue any other available remedy under the Bond Documents to enforce payment of the Bonds.

No remedy is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or Bondholders under the Indenture now or hereafter existing by law.

The Trustee shall give notice of any Default or Event of Default to the Authority and the Academy within 30 days after such Default or Event of Default becomes known to the Trustee.

In addition to and without limitation of the foregoing, the Trustee shall not otherwise acquire possession of or take any other action with respect to the property subject to the Mortgage (the "Mortgaged Property"), if as a result of any such action, the Trustee would be considered to hold title to, to be a "mortgagee-in-possession of, or to be an "owner" or "operator" of the Mortgaged Property within the meaning of the Comprehensive Environmental Responsibility Cleanup and Liability Act of 1980, as amended, from time to time, unless the Trustee has previously determined, based on a report prepared by a person who regularly conducts environmental audits, that:

- a) the Mortgaged Property is in compliance with applicable environmental laws or, if not, that it would be in the best interest of the owners of the Bonds to take such actions as are necessary for the Mortgaged Property to comply therewith; and
- b) there are not circumstances present at the Mortgaged Property relating to the use, management or disposal of any hazardous wastes for which investigation, testing, monitoring, containment, clean-up or remediation could be required under any federal, state or local law or regulation, or that if any such materials are present for which such action could be required, that it would be in the best economic interest of the owners of the Bonds to take such actions with respect to the Mortgaged Property.

The environmental audit report contemplated hereby shall not be prepared by an employee or affiliate of the Trustee, but shall be prepared by a person who regularly conducts environmental audits for purchasers of commercial property, as determined (and, if applicable, selected) by the Trustee, and the cost thereof shall be borne by the Academy or the Bondholders but in no event by the Authority.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the Indenture shall be deposited in the Bond Fund. After payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities, and advances incurred or made by the Trustee and the creation of a reserve for anticipated fees, costs and expenses, including reasonable attorneys' fees and expenses, and all other current outstanding fees and expenses of the Trustee, such moneys shall be applied in the order set forth below:

- (a) Unless the principal on all Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First - To the payment of all installments of interest then due on the Bonds in order of maturity of such installments of interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment; and

Second: - To the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held

pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds from the respective dates upon which they became due (at the rate borne by the Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the ratable payment of the amounts due on such date.

Third: - To the payment of any Bond Servicing Costs as the Trustee may be directed in writing by an authorized officer of the Authority.

(b) If the principal of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority as between principal or interest, installments of interest or Bonds, ratably according to the amounts due respectively for principal and interest to the persons entitled thereto.

(c) If the principal on all Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under the Indenture then, subject to paragraph (b) above in the event that the principal of all the Bonds shall later become or be declared due and payable, the moneys shall be applied in accordance with paragraph (a) above.

Whenever moneys are to be applied pursuant to the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application, the likelihood of additional moneys becoming available for such application in the future, and potential expenses relating to the exercise of any remedy or right conferred on the Trustee by the Indenture. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue.

Waivers of Events of Default

With the written consent of the holders of no less than 51% of the principal amount of Bonds then Outstanding, the Trustee may waive any Default or Event of Default under the Indenture and its consequences and rescind any declaration of maturity of principal provided there shall have been deposited with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to the occurrence of such Event of Default and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, and any and all other Defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor or otherwise waived by such Bondholders. In case of any such waiver or rescission, the Authority, the Academy, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to or affect any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Bondholders' Rights to Direct Trustee and Remedies

If a Default occurs of which the Trustee is deemed to have notice, then the Trustee within 45 days after the occurrence thereof (unless such Default shall have been cured or waived) shall give notice of such Default to the Registered Owners of the Outstanding Bonds at the address then shown on the Bond Register. The holders of no less than 51% of the principal amount of Bonds then Outstanding may by

written instrument filed with the Trustee (i) notify the Trustee, the Authority and the Academy of the existence of a Default or Event of Default, upon which notice the Trustee shall be conclusively presumed to have such notice, (ii) request the Trustee to give written notice of a Default to the Academy or give such notice themselves as provided in the Indenture, (iii) as to any Event of Default, request the Trustee to exercise any of the remedies under the Indenture, upon which request, subject to right of indemnification, the Trustee shall exercise such remedy, (iv) as to any Event of Default, direct the method and place of conducting all proceedings to be taken in connection with the exercise of any remedy, (v) request the waiver of any Event of Default and rescission of the declaration of maturity of principal or termination of any proceedings in connection with the exercise of any remedies; provided, however, that there shall be no such waiver, rescission or termination unless all arrears of principal and interest on the Bonds, together with interest thereon (to the extent permitted by law) at the applicable rate of interest borne by the Bonds and all fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel, in connection with such Event of Default, shall have been paid or provided for, and (vi) request the Trustee to intervene in any judicial proceeding to which the Authority or the Academy is a party which may have substantial bearing on the interests of the holders of the Bonds, and subject to right of indemnification, the Trustee shall so intervene, subject to the approval of a court exercising jurisdiction.

In the event the holders of not less than 51% of the principal amount of Bonds then Outstanding shall direct the Trustee to exercise one or more applicable rights or remedies upon an Event of Default and shall reasonably indemnify the Trustee for all costs and expenses in the exercise of said rights and remedies as provided in the Indenture and the Trustee shall fail to take such designated action as directed within 30 days after receiving written notice of the same and being so indemnified, such Bondholders shall have the right to exercise any and all applicable rights and remedies in the same manner as if the same had been instituted by the Trustee.

Bondholders shall have the right to bring individual action only to enforce payment of the principal of and interest on the Bonds of the respective holders thereof at the respective due dates thereof, but only if the Trustee has not taken similar action.

Discharge of Lien

Upon payment of the principal and interest on the Bonds (or if provision is made, in a manner satisfactory to the Trustee and Authority, to pay the principal, interest, and premium, if any, on the Bonds as the same become due through maturity or any earlier redemption for which proper notice may be given or waiver thereof obtained by the Trustee with cash or the proceeds of Government Obligations), performance by the Authority of all its obligations under the Indenture, and provision for any other material reasonably requested by the Trustee, the Security shall be released from the lien of the Indenture, the Indenture shall be discharged, and the Trustee shall deliver to the Authority or Academy any written instrument necessary to evidence such discharge and to the Academy any moneys in its possession in excess of the amounts to provide for payment of principal and interest on the Bonds and to pay any fees, costs or expenses of the Authority or the Trustee payable by the Academy pursuant to the Indenture. Any funds deposited with or paid to the Trustee pursuant to the Indenture for payment of principal of or interest on the Bonds and applied in accordance with the Indenture, but remaining unclaimed by the Bondholders for the period of time after which such funds are required to be escheated to the State of Michigan shall be escheated to the State of Michigan by the Trustee; and the Bondholder shall thereafter look only to the State for any payment which such Bondholder may be entitled to collect and may not look to the Trustee for such moneys.

Supplemental Indentures Not Requiring Consent of Bondholders

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, enter into a supplemental indenture as shall not be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee, with its consent, for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee;
- (c) to grant or pledge to the Trustee for the benefit of Bondholders any additional security;
- (d) to comply with the provisions of the Indenture pertaining to supplemental indentures in connection with the issuance of Additional Bonds;
- (e) to maintain the exclusion of interest on the Bonds from gross income for federal or State of Michigan income tax purposes;
- (f) to make any other changes which the Trustee and the Authority determine, in reliance on an opinion of Counsel, will not have a material adverse effect on Bondholders; or
- (g) to accomplish, implement, or give effect to any other action which is authorized or required by the Financing Agreement or the Indenture.

Within thirty (30) days after the acceptance of any supplemental indenture pursuant to this Section, the Academy or the Authority shall prepare and deliver to the Trustee, and the Trustee shall cause notice thereof to be mailed, postage prepaid, to the Academy and to all Registered holders at their addresses as they appear on the registration books. The notice shall briefly set forth the nature of the supplemental indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. A failure on the part of the Trustee to mail the notice required by this Section shall not affect the validity of such supplemental indenture.

Any supplemental indenture described above which affects any rights of the Academy shall not, while the Academy is not in default under the Financing Agreement, become effective unless and until the Academy shall have consented in writing to such supplemental indenture. The Trustee shall be provided a Favorable Opinion of Bond Counsel that in addition to such matters as are required by the definition of such term, opines that the amendment or supplement is authorized or permitted by the Bond Documents, and that all conditions precedent to the Trustee's execution and delivery of the amendment or supplement have been complied with.

Supplemental Indentures Requiring Consent of Bondholders

Excluding supplemental indentures described in the above paragraph, and subject to the terms and provisions contained in this paragraph, and not otherwise, the holders of not less than fifty-one percent (51%) in aggregate principal amount of the then Outstanding Bonds shall have the right, from time to time, to consent to and approve the adoption by the Authority and the acceptance by the Trustee of such indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal or of the interest on any Bond issued under the Indenture, or (b) a reduction in the principal amount of any

Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of the funds and rights pledged under the Indenture other than the lien and pledge created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the execution of any supplemental indenture as authorized above under the heading "Supplemental Indentures Not Requiring Consent of Bondholders".

If at any time the Authority shall request the Trustee to accept any supplemental indenture for the purposes described in the preceding paragraph, the Academy or the Authority shall prepare and deliver to the Trustee, and the Trustee shall cause notice of the proposed acceptance of such supplemental indenture to be mailed, postage prepaid, to the Academy and all Registered Owners at their addresses as they appear on the registration books. The notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated office of the Trustee for inspection by all Bondholders. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail the notice required by the Indenture, and any such failure shall not effect the validity of such supplemental indenture when consented to and approved as provided in the Indenture.

Whenever, at any time within one year after the date of such notice, the Authority shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice and shall specifically consent to and approve the acceptance thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may accept such supplemental indenture in substantially such form, without liability or responsibility to any holder of any Bond, whether or not such holder shall have consented thereto.

If the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the acceptance of such supplemental indenture shall have consented to and approved the acceptance thereof as herein provided, no holder of any Bond shall have any right to object to the acceptance of said supplemental indenture or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the priority of the acceptance thereof, or to enjoin or restrain the Trustee from accepting or the Authority from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption and acceptance of any supplemental indenture pursuant to the provisions of the Indenture, the Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all holders of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Any supplemental indenture described above which affects any rights of the Academy shall not, while the Academy is not in Default under the Agreement, become effective unless and until the Academy shall have consented in writing to the adoption of such supplemental indenture. The Trustee shall be provided a Favorable Opinion of Bond Counsel that in addition to such matters as are required by the definition of such term, opines that the amendment or supplement is authorized or permitted by the Bond Documents, and that all conditions precedent to the Trustee's execution and delivery of the amendment or supplement have been complied with.

Requests to the Academy

The Trustee agrees that for as long as the Financing Agreement is in effect, if anyone who represents that it is a beneficial owner of a Series 2007 Bond by delivering to the Trustee a signed statement substantially to the effect of described above (a “Requesting Bondholder”) requests the Trustee to request from the Academy, for and on behalf of such beneficial owner, access to information and the opportunity to ask questions and receive answers concerning the legal status, financial condition, student count and any other relevant matters which the Requesting Bondholder in its discretion determines is necessary regarding the Academy, the Trustee accordingly will make such request to the Academy. The Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Academy in response to such request.

Nothing in the Indenture imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Academy in response to any such written request, or to examine anything received from the Academy, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder.

Requests to Sponsor

The current authorizing body of the Academy is the Bay Mills Community College Board of Regents (which, or any subsequent authorizing body of the Academy, is below called the “Sponsor”). The Trustee agrees that for as long as the Financing Agreement is in effect:

(1) if pursuant to the Indenture the Trustee has, on behalf of a Requesting Bondholder, requested but been unable to receive such information from the Academy, then if the Requesting Bondholder further asks the Trustee to request such information from the Sponsor, the Trustee accordingly will make such request to the Sponsor; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Sponsor in response to such request; and

(2) if a Requesting Bondholder asks the Trustee to request any of the below- listed information from the Sponsor, the Trustee accordingly will make such request to the Sponsor; and the Trustee further agrees to provide to such Requesting Bondholder a complete copy of whatever the Trustee receives from the Sponsor in response to such request:

(A) Quarterly or annual financial statements of the Academy;

(B) The initiation of proceedings by the Sponsor, including the issuance of notice to show compliance, to revoke or suspend the Academy’s charter;

(C) Written notice received from the Academy regarding voluntary election to terminate its contract;

(D) Enrollment data; and

(E) Other monetary obligations of the Academy for which any of its state school aid payments are pledged.

Nothing in the Indenture imposes on the Trustee any duty, express or implied, to investigate or verify the truth of any statement made by the Sponsor in response to any written request it receives from a Requesting Bondholder, or to examine anything received from the Sponsor, or to provide a copy of any such information or material to anyone other than a Requesting Bondholder.

THE FINANCING AGREEMENT

Sale, Purchase and Assignment

The Financing Agreement pertains to the Academy's purchase of the Project, constituting the Site and certain equipment and furnishings, from the Seller. In the Financing Agreement, the Academy agrees to pay monthly Scheduled Installment Payments at specified dates in specified amounts, as well as Additional Payments.

Payment Provisions

The Academy agrees to pay to the Authority the Scheduled Installment Payments and Additional Payments at specified dates in specified amounts. The Academy may only prepay Scheduled Installment Payments with the approval of the Authority, which may require the Academy to pay a prepayment premium as a condition of prepayment. The Academy additionally agrees that if any withdrawal is made from the Reserve Fund to cure any deficiency in the Bond Fund or if on any Bond Payment Date the value of the Reserve Fund is less than the Reserve Fund Requirement, the Academy shall pay to the Trustee Reserve Fund Payments for deposit into the Reserve Fund on the dates and in the amounts as described herein under the heading "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—The Reserve Fund" in the forepart of this Official Statement.

The Academy shall make all payments due under the Financing Agreement at the designated office of the Trustee. The Academy further agrees to deposit with the Trustee all payments due in immediately available funds.

Payment General Obligation

The obligation of the Academy to pay Scheduled Installment Payments, Additional Payments and all other payments under the Financing Agreement is a general obligation of the Academy. The Academy agrees to include in its budget and pay each year, until the Financing Agreement is paid in full, such sums as necessary each year to make payments of the Scheduled Installment Payments, Additional Payments and all other payments under the Financing Agreement or under the Mortgage.

State Aid Pledge

The Academy pledges to pay its Scheduled Installment Payments, Additional Payments and all other amounts required by the Financing Agreement from its State School Aid to be allocated to it and payable to its Sponsor. The State Aid Agreement and Financing Agreement provide that 20% of each installment of State School Aid (such monies to be used to pay the Scheduled Installment Payments and Additional Payments when due) shall, pursuant to the agreement of the Sponsor, be transmitted directly by the State Treasurer to the Trustee commencing on or before June 20, 2007, and thereafter on or before the 20th of each July, August, October, November, December, January, February, March, April, May and June (each a "Payment Date"); provided, however, that if the School Aid Act or other applicable law shall be modified to provide for a schedule of school aid payments materially different from that now in effect, the Authority by written notice to the Trustee, the State Treasurer, the Academy and the Sponsor may designate different payment dates or amounts to provide for timely receipt of Scheduled Installment Payments and Additional Payments consistent with such revised school aid payment schedule which shall thereupon be and become the "Payment Dates" under the Financing Agreement. If the Payment Date falls on a Saturday, Sunday, or legal holiday, the Scheduled Installment Payment shall be due on the immediately succeeding business day. The Scheduled Installment Payments and Additional Payments, if any, to the Authority shall be made first from the State School Aid allocated to the Academy during the month of the payment. If, for any reason, the State School Aid allocated to the Academy during the month of the payment is insufficient to pay the Scheduled Installment Payment and Additional Payment,

if any, then in that event the Academy covenants and agrees to use any and all other available funds to meet the Scheduled Installment Payment and Additional Payment, if any, obligation. If on any due date for any Scheduled Installment Payment or Additional Payment, the funds with the Trustee are insufficient to pay the Scheduled Installment Payment or Additional Payment then due, the Academy, pursuant to Section 17a(3) of the School Aid Act, to the extent necessary to meet the payment obligation, assigns to the Authority and authorizes and directs the State Treasurer to intercept and/or advance not to exceed 97% of any state school aid payment to be made to or for the Academy which is dedicated for distribution or for which the appropriation authorizing such payment has been made under the School Aid Act; and in such event pursuant to Section 17a(3) of the School Aid Act, the Authority is authorized, pursuant to the agreement of the Sponsor, to intercept and/or seek an advancement of 20% of the State School Aid to be allocated or distributed to the Sponsor with respect to the Academy. In such event, the Trustee, on behalf of the Authority, shall promptly notify (or cause notice to be given to) the Academy and the Sponsor that it will immediately commence to intercept and/or receive an advancement of the State School Aid, and beginning immediately the Authority shall intercept 97% of the State School Aid to be distributed to the Sponsor with respect to the Academy. Notwithstanding the foregoing, however, the amount to be applied by the Trustee to Scheduled Installment Payments, Reserve Fund Payments debt service payments due on other long-term obligations of the Academy in any fiscal year of the Academy shall not exceed 20% of the amount of State School Aid payable to the Academy by the State for such fiscal year.

The intercepted and/or advanced amount shall be applied on the following priority basis: (1) the amount required to pay the Scheduled Installment Payment and Reserve Fund Payment, if any, when due shall be held and applied by the Trustee for such purpose, (ii) the amount required to pay the other Additional Payments, if any, when due shall be held and applied by the Trustee for that purpose, (iii) the amount required to be deposited in the Repair and Replacement Account, if any, shall be so deposited and (iv) to the extent in excess of the amount required to make payment in full of the Scheduled Installment Payment, Additional Payment and Reserve Fund Payment, if any, then due, any amounts remaining to be immediately distributed to the Sponsor or as otherwise directed by the Authority. The process set forth above shall continue until sufficient funds are deposited with the Trustee to pay all Scheduled Installment Payments and Additional Payments. Section 17a(3) of the State School Aid Act does not require the State to make an appropriation to any authorizing body, public school academy, other school district or intermediate school district and shall not be construed as creating an indebtedness of the State.

The above-described pledge of State Aid is subject to the reservation by the Academy of the right to make additional pledges of State Aid to secure other obligations as provided in the Financing Agreement. (See "LIMITATION ON ADDITIONAL INDEBTEDNESS" in the forepart of this Official Statement.)

Assignment by Authority

The Academy consents to any assignments at any time made by the Authority of the Authority's rights under the Financing Agreement and acknowledge that no further action or consent by the Academy is necessary to effectuate such an assignment.

Obligations of Academy Unconditional

The obligation of the Academy to pay the Scheduled Installment Payments, Additional Payments and all other amounts required by the Financing Agreement to be paid by the Academy shall be an absolute and unconditional general obligation of the Academy and shall not be subject to diminution by set-off, recoupment, counterclaim, abatement or otherwise. Until the Series 2007 Bonds have been fully paid (or provision made therefor) in accordance with the Indenture, the Academy (i) shall not suspend or discontinue any Scheduled Installment Payments or Additional Payments, (ii) shall perform and observe all of its other obligations contained in the Financing Agreement and (iii) shall not terminate the

Financing Agreement for any cause, including, without limiting the generality of the foregoing, defect in title to the Site or the Project, failure to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of, damage to or condemnation of any part of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Michigan or any political subdivision of either, or any failure of the Authority to perform and observe any of its obligations arising out of or connected with the Financing Agreement. The Scheduled Installment Payments are intended to be sufficient for the payment in full of the Series 2007 Bonds, including (i) the total interest to become due and payable on the Series 2007 Bonds to the dates of payment thereof, (ii) the total principal amount of the Series 2007 Bonds, (iii) the redemption premiums, if any, that shall be payable on the redemption of the Series 2007 Bonds prior to their stated payments dates, and (iv) all additional interest, additional principal and any other amounts payable to the Trustee as and when required by the Series 2007 Bonds or the Financing Agreement. In the event, however, of any deficiency in the payment of such amounts regardless of the reason for such deficiency, the Academy agrees that upon notice of the deficiency from the Trustee or the Authority it shall then immediately pay the amount of the deficiency to the Trustee on behalf of the Authority. These obligations of the Academy shall survive the termination of the Financing Agreement.

Taxes and Other Costs

The Academy shall promptly pay when due all lawful taxes and governmental charges of any kind whatsoever, including income, profits, receipts, business, property and excise taxes, with respect to any estate, interest, documentation or transfer in or of the Site and the Project, the Financing Agreement or any payments with respect to the foregoing, the costs of all building and other permits to be procured, and all utility and other charges and costs incurred in the operation, maintenance, use, occupancy and upkeep of the Site and the Project.

Insurance

The Academy shall continuously insure, or cause to be insured, against such risks and in such amounts with respect to the Project and the Site as are generally insured against by businesses of like size and character, including at least, but not limited to:

(a) All risk property insurance to the extent of the full insurable value of the Project and the Site (recognizing that certain portions thereof may not be exposed to certain risks) including without limitation coverage for loss or damage by fire, with standard extended coverage, vandalism and malicious mischief endorsements.

(b) Public liability insurance with reference to the Project with limits of not less than \$1,000,000 for bodily injury or death per occurrence and \$1,000,000 for property damage per occurrence and with aggregate combined limits of not less than \$2,000,000.

(c) Workers' compensation insurance, if required under Michigan law, or a program of self-insurance complying with the requirements of Michigan law.

(d) Builder's all risk insurance during the course of the construction of the Project and during the course of any other construction, renovation or similar undertaking with respect to property covered by the Mortgage.

(e) Business interruption insurance covering actual loss in operating revenues in an amount not less than \$1,000,000.

All required insurance policies shall be with qualified insurance companies under Michigan law and may be written with exceptions and exclusions comparable to those in similar policies carried by

other businesses engaged in public education and located in the State of Michigan. Hazard and public liability insurance policies shall name the Authority and the Trustee as additional insureds as their interests may appear, and the Trustee shall also be named as mortgagee and loss-payee. All insurance claims may be adjusted by the Academy only, subject to the written approval of the Trustee, which approval shall not be unreasonably withheld, and all insurance proceeds for loss or damage to the Project shall be payable to the Trustee for deposit in the Bond Fund or the Project Fund in accordance with the provisions of the Indenture. The Academy shall provide the Authority and the Trustee with certificates of the respective insurers specifying that the required insurance is in force and effect and shall not expire or be canceled or materially modified except upon thirty (30) days' prior written notice to the Academy, the Authority and the Trustee. All insurance claims may be adjusted by the Academy only, and all insurance proceeds for loss or damage to the Project shall be payable to the Trustee for deposit in the Bond Fund or the Project Fund in accordance with the provisions of the Financing Agreement. Prior to the Closing Date and annually thereafter, the Academy shall provide the Authority and the Trustee with certificates of the respective insurers specifying that the required insurance is in force and effect and shall not expire or be canceled or materially modified except upon thirty (30) days' prior written notice to the Academy, the Authority and the Trustee.

Application of Insurance and Condemnation Proceeds

In the event (i) the Project is damaged or destroyed, or (ii) failure of title to all or part of the Project occurs or title to or temporary use of the Project is taken by condemnation or by the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Academy shall promptly give written notice thereof to the Authority and the Trustee. As soon as practicable, but not later than 60 days after such damage or condemnation, the Academy shall elect in writing whether to restore all or part of the Project or to prepay the Financing Agreement. The Academy may only restore all or part of the Project if it demonstrates to the Trustee that (i) it has sufficient money available to it (including insurance proceeds) to undertake such restoration, and (ii) such restoration will not cause interest on the Series 2007 Bonds which would otherwise be excludable from gross income for federal income tax purposes to be included in gross income for federal income tax purposes. If the Academy chooses to restore all or part of the Project, the Trustee shall deposit the proceeds of such condemnation or insurance in the Project Fund, which shall be reactivated and drawn down in the same manner as provided for the Project Fund in the Financing Agreement. If the Academy shall elect to restore the Project, it shall proceed to do so with reasonable dispatch. If the Project shall have been so damaged or destroyed, or if failure of title or condemnation or taking of such part thereof shall have been taken so that the Project may not be reasonably restored within a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee) to its condition immediately preceding such damage or destruction or failure of title, or if the Academy is thereby prevented from carrying on its normal operations for a period of 12 consecutive months (or such longer period of time as is acceptable to the Trustee), or if the cost of restoring the Project is reasonably deemed by the Academy to be uneconomic and the Academy abandons the Project, then all proceeds of such insurance or condemnation shall be transferred to the Bond Fund and used for payment or redemption of the Series 2007 Bonds.

Reports and Access to Projects

The Academy shall promptly file with the Authority and the Trustee its audited financial statements for each fiscal year, not later than 120 days after the fiscal year end and a certificate of an Authorized Academy Representative stating whether or not, to the knowledge of such person, a Default or Event of Default has occurred and continues, or if a Default or Event of Default has occurred and continues, describing such Default or Event of Default in reasonable detail. Subject to reasonable security and safety regulations, the Authority and the Trustee and their respective authorized agents shall have the right at all reasonable times to enter the Site and examine and inspect the Project.

Disposition of Assets

During the term of the Financing Agreement, and except as otherwise provided by below under the heading “Academy to Maintain Existence”, the Academy shall maintain its existence and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more entities to consolidate with or merge into it without the prior written consent of the Authority.

Covenant as to Non-Impairment of Tax-Exempt Status

Notwithstanding any other provision or any rights of the Academy under the Financing Agreement, the Academy covenants that, to the extent permitted by law, it shall take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exclusion of the interest on the Series 2007 Bonds from gross income for federal income tax purposes, on behalf of itself and the Authority, including but not limited to, actions relating to the rebate of arbitrage earnings and the expenditure and investment of Series 2007 Bond proceeds and moneys deemed to be Series 2007 Bond proceeds, all as more fully set forth in the Nonarbitrage Certificate.

Academy to Maintain Existence

The Academy covenants and agrees that for so long any Series 2007 Bond remains outstanding under the Indenture, it shall maintain its existence as a “public school academy” under Michigan law and shall continue to operate its facilities located at the Site as a public school which will produce sufficient available revenues to pay the Scheduled Installment Payments and Additional Payments and all other amounts due and owing by the Academy under the Financing Agreement, the Mortgage, the Management Agreement and any other Bond Documents. Notwithstanding the foregoing, the Academy shall have the right to cease operations at the Site and obtain from the Trustee a release and discharge of the Mortgage with respect thereto upon (a) prepayment in full of the Scheduled Installment Payments and Additional Payments and any prepayment premium required by the Authority as determined in the sole discretion of the Authority and (b) filing a Favorable Opinion of Bond Counsel with respect to such prepayment and release.

Maintenance, Repair and Modification

The Academy shall cause the Project to be used for the purposes described in the Financing Agreement throughout the term of the Financing Agreement. The Academy does not know of any reason why the Project will not be used and occupied by it in the absence of supervening circumstances not now anticipated by it or beyond its control. The failure of the Academy to use the Project for its intended purposes shall not in any way abate or reduce the obligation of the Academy to pay the Scheduled Installment Payments and the Additional Payments under the provisions of the Financing Agreement.

The Academy agrees that it will keep the Project in good repair and good operating condition, ordinary wear and tear expected, at its own cost.

The Academy may remodel the Project or make additions, modifications and improvements to the Project from time to time as the Academy, in its discretion, may deem to be desirable, the cost of which shall be paid by the Academy; provided, however, that such additions, modifications and improvements (i) do not impair the exclusion of interest on the Bonds from gross income for federal income tax purposes and (ii) do not contravene the provisions of the Enabling Legislation.

Events of Default

Any one or more of the following events is an Event of Default under the Financing Agreement:

(a) Failure by the Academy to make an Scheduled Installment Payment or Additional Payment hereunder when due and such failure shall continue for (i) three (3) business days after notice given by the Trustee that such payment has not been received if such nonpayment results in an event of default under the Indenture, or (ii) thirty (30) days after notice given by the Trustee that such payment has not been received in all other circumstances.

(b) Failure by the Academy to observe and perform any other obligation in the Agreement on its part to be observed or performed for a period of forty-five (45) days after written notice specifying such failure and requesting that it be remedied, given to the Academy by the Authority or the Trustee; provided, however, that if said Default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if the Default, in the opinion of the Trustee, is correctable and will not have a material adverse effect on the Bondholders or any of the security for the Series 2007 Bonds and if corrective action is instituted within such period and diligently pursued until the Default is corrected.

(c) The dissolution or termination of the Academy or failure by the Academy promptly to lift any execution, garnishment or attachment of such consequences as will materially impair its ability to carry out its obligations under the Financing Agreement or the Academy becomes insolvent or bankrupt, or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver for the Academy or for the greater part of its properties; or a trustee or receiver is appointed for the Academy or for the greater part of its properties without its consent and is not discharged within 40 days; or bankruptcy, reorganization or liquidation proceedings are commenced by or against the Academy, and if commenced against the Academy are consented to by it or remain undismissed for 40 days; or an order for relief is entered in any bankruptcy proceeding.

(d) If any representation or warranty made by the Academy in the Financing Agreement or any other document delivered by the Academy to the purchaser(s) of the Series 2007 Bonds, the Trustee or the Authority in connection with the issuance, sale and delivery of the Series 2007 Bonds is false or misleading in any material respect.

(e) If the Academy shall default under any other agreement for payment of money and such default shall not be cured within any period of grace provided in such agreement, if any, or if the Academy shall assign or convey or attempt to assign or convey any of its rights or obligations under the Financing Agreement except as shall be permitted thereunder, provided, however, that the Academy shall not be in default if it is contesting in good faith any default under any such other agreement for the payment of money, unless in the estimation of the Trustee the security of the Authority under the Financing Agreement is materially endangered.

(f) The occurrence of an event or condition which constitutes an “event of default” under the Indenture or the Mortgage or a default under the State Aid Agreement.

(g) The loss by the Academy of its Charter.

The Defaults described in subsection (b) above only, are also subject to the following limitation: If the Academy by reason of force majeure is unable to carry out or observe the obligations described in said subsection (b), the Academy shall not be deemed to be in breach or violation of the Financing Agreement or in default during the continuance of such inability. The term “force majeure” as used herein shall include, without limitation, acts of God, strikes, lockouts or other disturbances; acts of public enemies; inability to comply with or to cause compliance with laws, ordinances, orders, rules, regulations or requirements of any public authority or the government of the United States of America or the State of Michigan or any of their departments, agencies, or officials, or any civil or military authority; inability to procure or cause the procurement of building permits, other permits, licenses or other authorizations required for the construction, use, occupation, operation or management of the Project; insurrections;

riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event other than financial inability not reasonably within control of the Academy. The Academy agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Academy from carrying out its agreements; provided, however, that the settlement of strikes, lockouts and other disturbances shall be entirely within the discretion of the Academy, and the Academy shall not be required to make settlement of strikes, lockouts and other disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Academy not in the best interests of the Academy.

Remedies upon an Event of Default

Whenever any Event of Default shall have occurred and be continuing, the Authority or the Trustee may take any one or more of the following remedial steps:

(a) Declare all indebtedness under the Financing Agreement (i.e. Scheduled Installment Payments, Additional Payments and all other payments required by the Financing Agreement) to be immediately due and payable, whereupon the payment date for the same shall become immediately accelerated and all such indebtedness shall become immediately due and payable;

(b) Have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of the Academy only, however, insofar as they relate to the Project, the Site or the Event of Default and remedying thereof;

(c) Exercise and enforce all or any of its rights under the security interests granted in the Financing Agreement, the Collateral Documents or any other collateral provided by the Academy to secure its obligations hereunder; and/or

(d) Petition a court of competent jurisdiction for the appointment of a receiver to take possession of and manage and operate all or any part of the assets of the Academy for the benefit of the Authority and the Trustee.

No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy now or hereafter existing at law or in equity or by statute.

Any amounts collected pursuant to action taken under the foregoing remedies shall be paid into the Bond Fund and applied in accordance with the Indenture, except amounts collected for the benefit of the Authority to pay certain fee payments owing to the Authority under the Financing Agreement which shall be paid to or retained by the Authority.

Non-Liability of Sponsor

The Sponsor has not agreed to assume, undertake or in any way guarantee payment of the Academy's obligations from any source of revenue available to the Sponsor, including the administrative fee deducted by the Sponsor from the state school aid payments received by the Sponsor for the Academy.

Academy Bound by Indenture

The Academy agrees to be bound by the terms of the Indenture applicable to it, and agrees not to take any action which would cause the Authority or the Trustee to violate the terms of the Indenture.

No Personal Liability of the Officers or Directors of the Academy.

No officer or director of the Academy shall have any personal liability for the Academy's indebtedness, obligations and liabilities under the Financing Agreement, provided that this limitation on liability shall not release any officer or director of the Academy from any personal liability for his or her own fraudulent actions or omissions.

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EXHIBIT F

**FORM OF OPINION OF BOND COUNSEL AND
FORM OF OPINION OF THE ATTORNEY GENERAL**

[Opinion of Dickinson Wright PLLC]

Michigan Public Educational Facilities Authority
Richard H. Austin State Office Building
Lansing, Michigan 48909

We have acted as bond counsel to the Michigan Public Educational Facilities Authority (the “Authority”), in connection with the issuance by the Authority of its Limited Obligation Revenue Bonds (David Ellis Academy - West Project) Series 2007 in the aggregate principal amount of \$14,370,000 (the “Bonds”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Bonds are authorized to be issued by Executive Order No. 2002-3, compiled at §12.192 of the Michigan Compiled Laws, the Shared Credit Rating Act, Act No. 227 of the Public Acts of 1985 of the State, as amended, and the Michigan Strategic Fund Act, Act No. 270 of the Public Acts of 1984 of the State, as amended (the “Enabling Legislation”), a bond authorizing resolution adopted by the Authority on March 27, 2007 (the “Bond Resolution”), as amended by a resolution adopted May 11, 2007 (as amended, the “Bond Resolution”), and a Trust Indenture dated as of June 1, 2007 (the “Indenture”) between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) for the purpose of providing funds which will be used to (i) purchase the obligation (the “Municipal Obligation”) of David Ellis Academy - West, a public school academy organized under the laws of the State of Michigan (the “Academy”), evidenced by a Financing Agreement dated as of June 1, 2007 (the “Financing Agreement”) between the Academy and the Authority, (ii) make a deposit to a reserve fund for the Bonds and (iii) pay costs of issuance of the Bonds. The Academy will use the proceeds of the Bonds to acquire and equip certain public school academy facilities.

Under the Financing Agreement, the Academy has agreed to make installment payments to be used to pay when due the principal of, premium (if any) and interest on the Bonds. Such installment payments and other payments and revenues under the Financing Agreement (collectively, the “Security”) and the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees) are pledged and assigned by the Authority to the Trustee as security for the Bonds pursuant to the Indenture. The Bonds are payable solely from the Security.

As additional security for the Bonds, the Academy will execute and deliver a Future Advance Mortgage (collectively the “Mortgage”) in favor of the Trustee whereby the assets financed with the proceeds of the Bonds will be pledged to the Trustee to secure the Academy’s obligations under the Financing Agreement. We note that various issues concerning the enforceability of the Mortgage are addressed in the opinion of Jaffe Raitt Heuer and Weiss, Professional Corporation, counsel to the Academy, provided to you, and we express no opinion herein as to the validity or enforceability of the Mortgage or any of the liens created thereby.

With respect to the valid existence of the Academy as a Michigan public school academy, the power of the Academy to enter into and perform its obligations under the Financing Agreement and other documents to which it is a party, the due authorization, execution and delivery of the Financing Agreement and the other documents to which the Academy is a party and the validity and enforceability of them against the Academy, we refer you to the opinion of Jaffe Raitt Heuer and Weiss, Professional Corporation, counsel to the Academy, dated the date of this letter and addressed to you.

We have assumed the due authorization, execution and delivery by, and the binding effect upon and enforceability against, the Trustee of the Indenture, and the Academy of the Financing Agreement and Municipal Obligation.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Academy contained in the Financing Agreement and the Indenture, the certified proceedings and other certifications of public officials and others furnished to us, including a nonarbitrage and tax compliance certificate of the Authority and the Academy and certifications furnished to us by or on behalf of the Authority and the Academy, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Authority is a public body corporate and politic validly existing under the laws of the State of Michigan with the power to enter into and perform its obligations under the Indenture and the Financing Agreement and to issue the Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Authority and is a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms. The Indenture creates a valid lien on the Security and on the rights of the Authority under the Financing Agreement (except certain rights to indemnification, reimbursement and administrative fees).

3. The Bonds have been duly authorized, executed and delivered by the Authority, and are valid and legally binding limited obligations of the Authority, payable solely from the Security.

4. The interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that certain corporations must take into account interest on the Bonds in determining adjusted current earnings for the purpose of computing such alternative minimum tax imposed on such corporations. This opinion is subject to the condition that the Authority and the Academy comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The requirements include rebating certain earnings to the United States. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Academy, on behalf of itself and the Authority, has covenanted to comply with all such requirements to the extent permitted by law. We express no opinion regarding other federal tax consequences arising with respect to the Bonds and the interest thereon.

5. The Bonds and the interest thereon are exempt from all taxation of the State of Michigan or a subdivision thereof, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion regarding (i) the accuracy, adequacy or completeness of any disclosure document relating to the Bonds or (ii) the perfection or priority of the lien on the Security or other funds created by the Indenture. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than an expressly set forth herein.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

[FORM OF OPINION OF ATTORNEY GENERAL]

_____, 2007

Michigan Public Educational Facilities Authority
Richard H. Austin State Building
Lansing, Michigan 48909

In my capacity as Attorney General of the State of Michigan, I have caused to be examined a closing transcript and, in particular, the following documents relating to the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of bonds designated MICHIGAN PUBLIC EDUCATIONAL FACILITIES AUTHORITY LIMITED OBLIGATION REVENUE BONDS (DAVID ELLIS ACADEMY - WEST PROJECT), SERIES 2007 in the aggregate principal amount of \$14,370,000 (the "Bonds"):

(1) Executive Order 2002-3, the Shared Credit Rating Act, 1985 PA 227, as amended, and the Michigan Strategic Fund Act, 1984 PA 270, as amended, (the "Enabling Legislation") which collectively, created the Authority and empowered it to issue revenue bonds;

(2) a certified copy of the resolution adopted by the Authority on March 27, 2007, as amended May 11, 2007, authorizing the issuance of the Bonds (the "Resolution");

(3) an executed counterpart of the trust indenture dated as of June 1, 2007 (the "Indenture"), entered into between the Authority and U.S. Bank National Association as trustee (the "Trustee");

(4) an executed counterpart of the financing agreement dated as of June 1, 2007 (the "Financing Agreement") entered into by the Authority and David Ellis Academy - West, a Michigan public school academy (the "Academy");

(5) a Nonarbitrage Certificate of the Authority;

(6) one Bond, as executed, or a specimen thereof; and

(7) one bond issued by the Academy (the "Municipal Obligation").

The Bonds are being issued for the purpose of (i) purchasing the Academy's Municipal Obligation as evidenced by the Financing Agreement; (ii) fund a debt service reserve fund; and (iii) provide funds to pay certain costs relating to the issuance of the Bonds and the Municipal Obligation. The Academy will use the proceeds of the Bonds to acquire and equip a certain public school facility in the Township of Redford, County of Wayne, Michigan.

By the terms of the Financing Agreement, the Academy has contracted to make repayments at times and in amounts sufficient to enable the Authority to pay the principal of, premium, if any, and interest on the Bonds. Pursuant to the Indenture, the repayments to the Authority from the Academy and certain rights of the Authority (to the extent specified in the Indenture) have been assigned by the Authority to the Trustee as security for the Bonds.

The Academy will execute and deliver a future advance mortgage from the Academy (the "Mortgage") in favor of the Trustee as additional security for the Bonds.

In rendering this opinion, I have relied upon the opinion, dated today, of Jaffe, Raitt, Heur & Weiss, Professional Corporation, counsel for the Academy, to the effect that the Financing Agreement and Mortgage are valid and binding obligations of the Academy and as to other matters set forth in the opinion. I express no opinion as to the validity or enforceability of the Financing Agreement, the Municipal Obligation, Mortgage, or any liens created thereby. I have assumed the due authorization, execution, and delivery by, and the binding effect upon and the enforceability against, the Trustee of the Indenture. I have also assumed the accuracy of and relied upon the information and representations contained in the Financing Agreement and the certificates of the Academy (including specifically the representation that the Academy is a public school academy under Michigan law and the representation and covenant by the Academy that it will comply with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and I have made no independent investigation of the accuracy of the information and representations contained therein.

Based on the foregoing, I am of the opinion that, under existing law as presently interpreted:

1. The Authority is a public body corporate and politic of the State duly organized and validly existing under the Constitution and the laws of the State, including particularly the Enabling Legislation.

2. The Authority has the power under the laws of the State to adopt the Resolution. The Resolution has been duly adopted by the Authority, is in full force and effect in the form adopted, and is the valid and binding action of the Authority. The Indenture has been duly authorized, executed, and delivered by the Authority and constitutes a valid and binding agreement of the Authority enforceable in accordance with its terms.

3. The Bonds have been duly authorized, executed, and delivered by the Authority and, when duly authenticated, will constitute valid and binding limited obligations of the Authority enforceable in accordance with their terms, payable as to the principal of, premium, if any, and interest thereon solely from the security pledged therefor under the Indenture (which security includes the Municipal Obligation) or otherwise provided by the Academy.

4. The Bonds are limited obligations of the Authority. The Bonds, including the interest thereon, are not general obligations of the Authority and do not constitute obligations, debts, or liabilities of the State and do not constitute a charge against the general credit of the Authority or a charge against the credit or taxing power of the State. The Authority has no taxing power.

5. Interest on the Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings. This opinion is subject to the condition that the Academy and the Authority comply with all requirements of the Code that must be satisfied subsequent to

the issuance of the Bonds in order that interest on the Bonds be, or continue to be, excluded from gross income for federal income tax purposes. The Academy has covenanted for itself and on behalf of the Authority to comply with each such requirement. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. I express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds and the interest thereon are exempt from all taxation provided by the laws of the State except estate taxes and taxes on gains realized from the sale, payment, or other disposition thereof.

Enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws affecting creditors' rights that have been or in the future will be enacted to the extent constitutionally applicable and their enforcement may be subject to the exercise of judicial discretion including the application of general principles of equity.

I express no opinion on the investment quality of the Bonds or whether the facts, figures, or financial information or other statements made respecting the Academy contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make those statements, in the light of the circumstances under which they were made, not misleading.

Sincerely yours,

MIKE COX
Attorney General

Assistant Attorney General

Assistant Attorney General

EXHIBIT G
FORM OF OPINION OF COUNSEL TO THE ACADEMY

June 20, 2007

David Ellis Academy - West
Redford, Michigan

Michigan Public Educational Facilities Authority
Lansing, Michigan

U.S. Bank National Association, as Trustee
St. Paul, Minnesota

Municipal Capital Markets Group, Inc.
Minneapolis, Minnesota

Re: \$14,370,000 Michigan Public Educational Facilities Authority Revenue Bonds (David Ellis Academy – West Project), Series 2007

Ladies and Gentlemen:

We have acted as special counsel to David Ellis Academy – West (the "Academy") in connection with issuance and sale by the Michigan Public Educational Authority (the "Authority") of the above-referenced bonds (the "Bonds"). The Bonds are being sold pursuant to (a) the Bond Purchase Agreement dated as of June 11, 2007 (the "Bond Purchase Agreement"), among the Academy, the Authority and Municipal Capital Markets Group, Inc., as representative of the underwriters (the "Underwriter"), and (b) the Trust Indenture dated as of June 1, 2007 (the "Trust Indenture"), by and between U.S. Bank National Association, a national banking association, as trustee (the "Trustee") and the Authority. Capitalized terms used but not defined herein shall have the meanings assigned in the Bond Purchase Agreement.

In this connection, we have examined:

- (i) the Articles of Incorporation of the Academy, as certified on February 20, 2007 by the Bureau of Commercial Services of the Michigan Department of Labor and Economic Growth;
- (ii) a Certificate of Good Standing of the Academy certified on February 20, 2007 by the Bureau of Commercial Services of the Michigan Department of Labor and Economic Growth;
- (iii) certified Bylaws of the Academy;
- (iv) records of all proceedings of the Board of Directors of the Academy relating to the Bonds, including the Resolution Approving Financing Transaction adopted by the Academy Board on March 19, 2007 approving the transactions contemplated by the issuance of the Bonds;
- (v) a certified copy of the Contract confirming the status of a public school academy between the Academy and Bay Mills Community College Board of Regents (the "Authorizing Body") dated August 9, 2006, (the "Charter");
- (vi) the Financing Agreement dated as of June 1, 2007 (the "Financing Agreement") between the Academy and the Authority;
- (vii) Bond Purchase Agreement;
- (viii) the Trust Indenture;

(ix) the State Aid Agreement dated as of June 1, 2007 (the "State Aid Agreement") among the Academy, the Authority, the State Treasurer of the State of Michigan, the Trustee and the Authorizing Body;

(x) the Future Advance Mortgage dated as of June 20, 2007 from the Academy to the Trustee (the "Mortgage");

(xi) the Management Agreement between the Academy and the Bardwell Group dated as of August 9, 2006, as amended (the "Management Agreement");

(xii) the Nonarbitrage and Tax Compliance Certificate date the date hereof (the "Tax Certificate") executed and delivered by the Academy;

(xiii) the final Official Statement dated June 11, 2007 relating to the initial offering of the Bonds (the "Official Statement");

(xiv) the Agreement Concerning Continuing Disclosure between the Academy and U.S. Bank National Association, as dissemination agent dated June 1, 2007 (the "Continuing Disclosure Agreement"); and

(xv) A certificate of Facts ("Certificate of Facts") made by the Academy to us.

The Financing Agreement, Bond Purchase Agreement, Continuing Disclosure Agreement, the Mortgage and the State Aid Agreement are collectively referred to as the "Operative Documents." All of the documents listed in clauses (i) through (xv) above are referred to herein , collectively, as the "Documents."

Our review has been limited to examining the Documents and applicable Michigan and federal law and a docket search of the records of Wayne County Circuit Court dated June __, 2007 and the U.S. District Court for the Eastern District of Michigan dated June __, 2007 (collectively, the "Docket Searches"). To the extent that any opinion given herein is dependent upon factual information or is expressed in terms of our knowledge or awareness, we have relied upon the assumptions stated above, including the relevant factual representations of the Academy contained in the Operative Documents and in the Certificate of Facts and we have not undertaken to independently verify any such facts or information. In this regard, our knowledge is limited to the conscious awareness of facts or other information by (i) the attorney executing this opinion on behalf of the firm, and (ii) any other attorney in our firm who has been actually involved in (a) negotiating the terms and conditions of the Operative Documents, (b) drafting the Operative Documents, or (c) preparing this opinion letter.

In such review, we have assumed the legal capacity of all natural persons, the genuineness of all signatures on and the authenticity and completeness of, all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as certified, telecopied, facsimile or photostatic copies, the authenticity and completeness of the originals of such copies, and the absence of any understandings, waivers, or amendments which would vary the terms of any of the documents which we have examined.

We have also assumed that (a) each of the Documents is within the powers of, and has been duly authorized, executed and delivered by, each of the parties thereto (other than the Academy); (b) each of the parties to each of the Documents has complied or will comply with all laws, regulations, and orders applicable to it in connection with the consummation of the transactions contemplated thereby; (c) each of the Documents is a legal, valid and binding obligation of, and is enforceable in accordance with its respective terms against, each of the parties thereto (other than the Academy); and (d) the Bonds will be duly executed and delivered by an authorized officer of the Academy and authenticated and delivered by the Trustee in accordance with the requirements of the Trust Indenture.

Based upon the foregoing and subject to the qualifications stated herein, it is our opinion that:

1. The Academy is (i) duly created and validly existing as a public school academy under Act 451 of the Public Acts of Michigan of 1976, as amended (the "Act"), (ii) a body corporate and governmental agency of the State of Michigan under the Act, and (iii) in good standing under the laws of the State of Michigan.

2. The Academy has the power to execute, deliver and perform the Operative Documents and to consummate the transactions contemplated in the Operative Documents.

3. The Operative Documents have been duly authorized, executed and delivered by the Academy, and each constitutes a valid and binding obligation of the Academy, enforceable in accordance with its terms.

4. The execution and delivery of the Operative Documents, and the consummation of the transactions described therein, will not conflict with or constitute on the part of the Academy a breach or default under its Charter, or its Articles of Incorporation or By-laws, or, based on the Certificate of Facts, any indenture, mortgage, deed of trust, agreement or other instrument to which the Academy is a party or by which it is or may be bound. The Academy has duly authorized and approved the execution and delivery of the Official Statement by its duly authorized officers and the distribution of the Official Statement by the Underwriter.

5. To our knowledge, the execution and delivery by the Academy of the Operative Documents to which it is a party do not require the approval, consent, authorization or other order of any municipal, state, federal or any governmental regulatory authorities, which has not been obtained.

6. Based solely on the Docket Searches, there is no (1) litigation or, proceeding pending or threatened against the Academy restraining or enjoining the issuance or delivery of the Bonds or the execution and delivery or performance by the Academy of the Operative Documents, or affecting the validity of the Bonds or the Operative Documents, or the proceedings of the Academy under which they are to be issued, executed or delivered; and (2) litigation pending or, to our knowledge, threatened against the Academy, which if adversely decided could reasonably be deemed to have a material adverse effect upon the ability of the Academy to repay its obligations under the Operative Documents.

7. The execution, delivery and performance by the Academy of the Operative Documents and compliance with the provisions thereof will not, in any material respect, conflict with or constitute on the part of the Academy a breach or violation or default under the Act, or any agreement with the Academy's Authorizing Body.

8. The statements in the Official Statement in the sections entitled "INTRODUCTION," "THE PROJECT," "THE ACADEMY," "THE SERIES 2007 BONDS" (other than under the subcaption "Book-Entry-Only System)," "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2007 BONDS" (other than under the subcaption "Certain Financial Information Concerning the State"), "LIMITATION ON ADDITIONAL INDEBTEDNESS AND ADDITIONAL BONDS," "ACADEMY INFORMATION REPORTING REQUIREMENTS" and "CONTINUING DISCLOSURE" and in EXHIBIT A, insofar as such statements summarize the language and effect of the Operative Documents, the Indenture and certain laws of the State of Michigan, are fair and accurate summaries thereof in all material respects.

9. Other than as specifically set forth in Paragraph 8 hereof, we have not independently verified and are not passing upon or assuming any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement. On the basis of our participation in certain meetings and telephone conferences held for the purposes of preparing the Official Statement and related documents and for purposes of reviewing the summaries thereof contained in the Official Statement, at which meetings or telephone conferences representatives of the Academy, the Authority, bond counsel, the Attorney General of the State of Michigan, underwriter's counsel, and the Underwriter and others were at various times present, nothing has come to our attention which would lead us to believe that the Official Statement contained as of its date, or contains as of the date hereof, any untrue statement of a material fact or omitted as of its date, or omits as of the date hereof, to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

10. The Management Agreement does not result in "private business use" of the Academy within the meaning ascribed to such term by Treasury Regulation Section 1.141-3.

In addition to the qualifications set forth above, we express no opinion as to any of, and our opinions herein are subject to, the following matters:

(i) Our opinion is subject to the effect of bankruptcy, insolvency, fraudulent conveyance, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally;

(ii) Our opinion is subject to limitations imposed by general principles of equity upon the specific enforceability of any of the remedies, covenants, or other provisions of the documents identified herein and upon the availability of injunctive relief or other equitable remedies, and the application of principles of equity (regardless of whether enforcement is considered in proceedings at law or in equity) in regard to certain covenants and provisions of agreements where (a) the breach of such covenants or provisions imposes restrictions or burdens upon the debtor, including the acceleration of indebtedness due under debt instruments, and it cannot be demonstrated that the enforcement of such restrictions or burdens is reasonably necessary for the protection of the creditor, or (b) the creditor's enforcement of such covenants or provisions under the circumstances, or in such manner, would violate the creditor's covenant of good faith and fair dealing, or would be commercially unreasonable;

(iii) Certain rights and remedies contained in the Operative Documents may be ineffective, or limited, by applicable laws or judicial decisions governing such provisions, but such laws and judicial decisions do not, in our opinion, make the Operative Documents inadequate for the practical realization of the benefits and/or security intended to be provided by the Operative Documents;

(iv) We express no opinion as to the validity, binding effect or enforceability under certain circumstances of provisions in the Operative Documents that provide that the rights and remedies of the parties thereunder are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some remedy or remedies does not preclude recourse to one or more other remedies;

(v) We express no opinion as to the validity, binding effect or enforceability of provisions in the Operative Documents: (a) appointing one person as another person's attorney-in-fact; (b) waiving rights or defenses to obligations where such waivers are against the statutes, laws or other public policy of the State of Michigan; (c) waiving any right of redemption, exemption or similar right, or (d) providing for self-help remedies.

(vi) No opinion is given as to the title of Academy to any property or collateral covered by the Operative Documents;

(vii) No opinion is given as to the perfection or priority of any lien or security interest purported to be granted in the Operative Documents.

We are qualified to practice law in the State of Michigan and we do not purport to express any opinion herein concerning any laws other than the laws of the State of Michigan and the federal laws of the United States of America. This opinion is predicated solely upon laws and regulations in existence as of the present date, and as they presently apply, and to the facts as they presently exist. We assume no obligation to revise or supplement this opinion should such matters change by legislative action, judicial decision or otherwise.

The opinion is limited to the matters set forth herein and no opinion is intended to be implied or may be inferred beyond those expressly stated herein.

This opinion letter is rendered solely for your benefit in connection with the Operative Documents and may not be relied upon by you for any other purpose, or relied upon by, or distributed to, any other person without our prior written consent, except as required by law. The form of this Opinion, or excerpts thereof, may be included in the Official Statement and the transcript of proceedings.

Bond Counsel and the Attorney General of the State of Michigan may rely on this opinion as though it were specifically addressed to them.

Very truly yours,

EXHIBIT H

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS AGREEMENT CONCERNING CONTINUING DISCLOSURE, dated as of the 1st day of June, 2007 (this "Agreement"), between DAVID ELLIS ACADEMY - WEST, a public school academy of the State of Michigan (the "Academy"); and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Dissemination Agent (the "Dissemination Agent"),

W I T N E S S E T H:

WHEREAS, this Agreement is being executed in connection with the issuance by the Michigan Public Educational Facilities Authority (the "Authority") of \$14,370,000 in aggregate principal amount of its Limited Obligation Revenue Bonds (David Ellis Academy - West Project), Series 2007 (the "Bonds");

WHEREAS, the Bonds are being issued pursuant to a Trust Indenture dated as of June 1, 2007 (the "Indenture"), by and among the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds are being used to reimburse the Academy for project costs and other uses as described in the Indenture; and

WHEREAS, to provide for the availability of certain information relating to the Bonds and the Academy and the security therefor and to permit participating underwriters of the Bonds to comply with certain amendments to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), which will enhance the marketability of the Bonds, the Academy and Dissemination Agent desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto DO HEREBY AGREE as follows:

Section 1. Definitions and Exhibits. (a) Terms used with initial capital letters but not defined herein shall have the meanings given such terms in the Indenture, unless the context hereof clearly requires otherwise.

In addition, the following terms, when used herein, have the following respective meanings:

Bondowner or Owner: in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Trustee or any beneficial owner thereof, if such owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee.

Disclosure Information: shall have the meaning assigned in Section 4 hereof.

Material Fact: a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing, a "Material Fact" is also an event or condition that would be deemed "material" for purposes of the purchase or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event or condition.

MSRB: the Municipal Securities Rulemaking Board or any successor to its functions.

National Repository: as of the date of determination, a nationally recognized municipal securities information repository designated by the SEC to serve as such under subsection (b) of the Rule. The names and addresses of all current National Repositories should be verified each time information is delivered to National Repositories pursuant to this Agreement.

Official Statement: the Official Statement dated June 11, 2007, relating to the Bonds, as amended or supplemented to the date of issuance of the Bonds.

Participating Underwriters: Municipal Capital Markets Group, Inc. and any other original underwriter of the Bonds required to comply with the Rule in connection with the primary offering of the Bonds for sale.

Person: any individual, corporation, partnership, limited liability company, limited liability partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Purchaser: any Person who purchases or otherwise receives all or any portion of the Bonds from an Owner, which Purchaser is required to be an Approved Investor as defined in the Indenture.

Rating Agency: Standard & Poor's Rating Group, Moody's Investors Service, Fitch IBCA, Inc. or any of their successors or any other nationally recognized rating agency.

Repositories: as of the date of determination, each National Repository and any State Depository; provided, however, in the case of information to be disseminated under Subsections (b), (c), (d), (e), (f) or (g) of Section 5 hereof, as of the date such information is to be disseminated hereunder, the "Repositories" shall be the MSRB and any State Depository.

Rule: Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), as in effect and interpreted from time to time.

SEC: the Securities and Exchange Commission or any successor to its functions governing state and municipal securities disclosure.

State: the State of Michigan.

State Depository: as of the date of determination, any state information depository operated or designated by the State qualifying as a "state information depository" within the meaning of paragraph (b)(5) of the Rule. As of the date of this Agreement, there is no State Depository.

Section 2. Representations. Each of the parties hereto represents and warrants to each other party that (i) it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (ii) it has duly authorized the execution and delivery of this Agreement, (iii) the execution and delivery of this Agreement and performance of the terms hereof by such party do not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument to which it is a party or by which it is bound, and (iv) to its best knowledge, no litigation, proceeding or administrative matter is pending to which it is a party, or overtly threatened, contesting or questioning the legal existence of such party, its power and authority to enter into and perform this Agreement or its due authorization, execution and delivery of this Agreement.

The Academy represents and warrants that it is the only "obligated person" in respect of the Bonds within the meaning of the Rule.

Section 3. Appointment of Dissemination Agent as Agent. The Academy hereby appoints the Dissemination Agent as its agent for the purpose of disclosing the information described in this Agreement in the manner set forth herein.

The Dissemination Agent hereby accepts such appointment, subject to the terms and conditions of this Agreement. In the event that the Dissemination Agent, in its reasonable opinion, determines that during the continuation of an Event of Default under the Indenture the activities of the Dissemination Agent hereunder conflict with any of its duties and responsibilities as the Trustee under the Indenture, the Dissemination Agent need not undertake such activities hereunder. The Dissemination Agent will promptly inform the Academy and the Participating Underwriters in writing of any such determination.

The inability of the Dissemination Agent to undertake certain activities under this Agreement as provided in the immediately preceding paragraph shall not relieve or otherwise affect the responsibilities of the Academy to furnish the information required to be provided by it pursuant to this Agreement directly to the Repositories without the agency of the Dissemination Agent. In such event, the Academy may enter into an agreement on substantially the terms hereof providing for the activities of a new dissemination agent.

Section 4. Annual Financial Information and Reports of the Academy. (a) The Academy shall on or before 150 days after the close of the Academy's Fiscal Year in each year, commencing for the Fiscal Year ended June 30, 2007 (the "Annual Submission Date"), deliver to the Dissemination Agent the financial information and operating data relating to the Academy for the preceding Fiscal Year as hereinafter specified (the "Annual Disclosure Information"), accompanied by a certificate executed by an authorized officer of the Academy stating in effect that such information is the Annual Disclosure Information required to be submitted under this Section 4(a). The Academy may change the Annual Submission Date to the Dissemination Agent if it changes its Fiscal Year; provided however, that the new Annual Submission Date shall be not later than 150 days after the end of each new Fiscal Year of the Academy and the first such new Annual Submission Date shall not be more than one year after the last preceding Annual Submission Date.

The Annual Disclosure Information shall comprise the following (subject to modification as provided in Sections 9 and 11 hereof):

A complete audit report and opinion of an accountant and the consolidated or combined financial statements of the Academy for such Fiscal Year, containing balance sheets as of the end of such Fiscal Year and a statement of activities and statement of cash flows for the Fiscal Year then ended, and showing in comparative form such figures for the preceding Fiscal Year of the Academy prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board applicable to entities such as the Academy as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Academy, noting the discrepancies therefrom and the effect thereof.

The Academy on or before 45 days after the end of each fiscal quarter commencing with the fiscal quarter ended March 31, 2007 (the "Quarterly Submission Date") is to deliver to the Dissemination Agent certain financial information relating to the Academy as hereinafter specified (the "Quarterly Disclosure Information") together with a certificate of the chief financial officer of the Academy that such financial information is the Quarterly Financial Information required to be submitted under this Section 4(a). The Quarterly Disclosure Information shall comprise the following (subject to modification as provided in Sections 9 and 11 hereof):

(1) Unaudited consolidated or combined financial statements of the Academy for such fiscal quarter consisting of at least statements of financial position as of the end of such quarter and statements of activities for such fiscal quarter and year to date, each prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as in effect from time to time (subject to year end adjustments and except such

financial statements may omit footnotes that would be required by generally accepted accounting principles), consistently applied, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Academy, noting the discrepancies therefrom and the effect thereof. Such financial statements shall be certified as true, correct and complete by the chief financial officer of the Academy to the best of his or her knowledge.

The Annual Disclosure Information and the Quarterly Disclosure Information are herein together referred to as the “Disclosure Information.”

Any or all of the Disclosure Information may be incorporated, if it is updated as required hereby, by reference from other documents, including official statements, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Academy shall clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the Academy have changed or been discontinued, such Disclosure Information need no longer be provided if the Academy includes in the Disclosure Information a statement to such effect, provided, however, that if such operations have been replaced by other operations of the Academy in respect of which data is not included in the Disclosure Information and the Academy determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or this Agreement is amended as permitted by this Section 4(a) or Section 11 hereof, then the Academy shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(b) The Academy shall also provide to the Dissemination Agent timely written notice of any of the following events or conditions of which any of its officers or directors has actual knowledge and which is a Material Fact (as used herein, the “Material Events”):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.

(c) The Academy agrees to notify the Dissemination Agent promptly of: (1) any change in, or the withdrawal of, any rating of the Bonds by a Rating Agency of which it receives notice; (2) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and (3) any change in the Fiscal Year of the Academy.

(d) The Academy shall provide to the Participating Underwriters and the Dissemination Agent (i) within 150 days after the end of each Fiscal Year, audited financial statements of the Academy for such

Fiscal Year, (ii) no later than ten (10) Business Days after submission thereof, the pupil count number furnished by the Academy as the basis for calculation and receipt of State Payments, (iii) within 45 days after the end of each fiscal quarter, unaudited financial statements of the Academy for such fiscal quarter and cumulative for all fiscal quarters in such Fiscal Year to date; (iv) all Material Facts, if any, disclosed at the same time as such disclosure is made; (v) upon request, within ten (10) business days of the beginning of each month, current enrollment data; (vi) within ten (10) business days of any change thereto, the amount of state aid allocated to the Academy; (vii) within ten (10) business days after adoption by the Board, the annual budget of the Academy; (viii) any notice of non-compliance, or similar notification, from either the State or the authorizing body; and, (ix) within ten (10) business days of a written request therefor from the Underwriters, the Authority and the Trustee copies of any previously created or existing document, report or information reasonably relating to the transactions described herein.

Section 5. Disclosure to Public. The Dissemination Agent is authorized and directed to make available to each of the Repositories (or to any SEC-approved Central Post Office) the following information in a timely manner by telecopy, overnight delivery, mail or other means, as appropriate:

- (a) the Disclosure Information provided pursuant to Section 4(a) hereof;
- (b) any Material Event reported to the Trustee by the Academy under Section 4(b) hereof in the form provided by the Academy;
- (c) notice of any of the following events of which an officer of the Dissemination Agent responsible for the administration of the Indenture has actual knowledge:
 - (i) default in the payment of principal of or interest on any Bonds;
 - (ii) the giving of the notice of redemption of any Bonds (other than mandatory sinking fund redemption) or the receipt by the Trustee of irrevocable instructions to give any such notice, together with a copy of such notice of redemption;
 - (iii) the discharge of the Indenture or the defeasance of any Bonds under Section ___ of the Indenture; and
 - (iv) any change in, or the withdrawal of, any rating of the Bonds by a Rating Agency;
- (d) the failure of the Academy to provide the Disclosure Information required to be provided to the Dissemination Agent hereunder, after notice and the cure period provided in Section 8 hereof; and
- (e) any amendment of or supplement to this Agreement entered into in accordance with Section 11 hereof, together with a copy of such amendment or supplement and any explanation provided by the Academy pursuant to Section 11 hereof; and
- (f) the termination of the obligations of the Academy under this Agreement in respect of the Bonds pursuant to Sections 9 or 14 hereof; and
- (g) a change in accounting principles or a change in Fiscal Year reported to the Dissemination Agent by the Academy under Section 4(c) hereof.

At the written request of the Academy, the Dissemination Agent shall, at the expense of the Academy, also furnish promptly to the Repositories a copy of any other information provided by the Academy for such dissemination.

Section 6. Disclosure to Bondowners and Rating Agencies. The Dissemination Agent is further authorized and directed to forward in an appropriate manner to any Rating Agency then maintaining a rating of the Bonds and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, any information transmitted to the Repositories under Section 5 hereof, at the time of such transmission or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

Nothing in this Agreement is intended to limit the ability of the Trustee to communicate with the Bondowners in such manner and at such times as it shall deem appropriate in executing the trusts under the Indenture. The Dissemination Agent shall not be required to forward any such communication to the Repositories (or to any Rating Agency under this Section 6), unless and only to the extent it is specifically described in Section 5 hereof. The Academy acknowledges and agrees that the Dissemination Agent may, in its discretion, however, make any communication with Bondowners available to the Repositories and the Rating Agencies, unless the Dissemination Agent determines that such disclosure would adversely affect the security or interests of the Owners of the Bonds.

Section 6A. Disclosure Incident to Resale. The Academy agrees to provide any Owner or Purchaser, upon request and within five (5) business days of receipt by the Academy of such request, with a) a very brief statement of the nature of the business of the Academy and the products and services offered by the Academy; b) the Academy's most recent balance sheet and profit and loss and retained earnings statements, and similar financial statements for the two preceding fiscal years (audited to the extent reasonably available).

Section 7. Costs, Expenses and Indemnification of Dissemination Agent. (a) The Academy hereby agrees to pay reasonable compensation of the Dissemination Agent for, and all costs and expenses of the Dissemination Agent incurred in, performing the services required of it under this Agreement, whether as agent for the Academy or otherwise. The Academy hereby acknowledges and agrees that such compensation, costs and expenses constitute payments due under Section 7.02 of the Indenture, and all parties hereto acknowledge and agree that for the payment of such amounts and the indemnity granted in Subsection (b) of this Section 7 the Trustee shall have the right to use and apply trust money, to the extent provided in the Indenture.

(b) Article VII of the Indenture is hereby made applicable to the Dissemination Agent as if said Sections were (solely for this purpose) contained in this Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement. The obligations of the Academy under this Section shall survive resignation or removal of the Dissemination Agent for any reason and payment of the Bonds.

Section 8. Defaults and Remedies. Subject to Section 3 hereof, failure of the Academy or the Dissemination Agent to comply with any provisions of this Agreement on its part to be observed shall constitute a default hereunder and any party hereto aggrieved thereby, including the Owners of any Outstanding Bonds as third-party beneficiaries hereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein, including a proceeding for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable by any Person for any default hereunder and are hereby waived to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Agreement constitute a default or an Event of Default under the Bonds or the Indenture.

In addition to the foregoing remedies, in the event the Academy breaches its covenant under Section 4 hereof to provide the Annual Disclosure Information to the Dissemination Agent by the Annual Submission Date or to provide the Quarterly Disclosure Information to the Dissemination Agent by the

Quarterly Submission Date, and such breach continues for a period of thirty (30) days after there has been given, by certified mail, to the Academy by the Dissemination Agent, or to the Academy and the Dissemination Agent by any Owner of an Outstanding Bond, a written notice stating that it is a “Notice of Default” hereunder specifying such breach and requiring it to be remedied, then the Dissemination Agent shall promptly make available to the Repositories notice of the failure of the Academy to provide the Disclosure Information.

Section 9. Binding Effect; Bondowners as Third-Party Beneficiaries. This Agreement shall inure to the benefit of and shall be binding upon the Academy and the Dissemination Agent and their respective successors and permitted assigns, provided, however, that in the event another Person succeeds to the obligations and agreements of the Academy under this Agreement and the Academy is released from its obligations under the Indenture, (i) the Academy shall be released from all further covenants and agreements contained herein, and (ii) the Disclosure Information may be modified to the extent permitted by Section 11 hereof. In addition, this Agreement shall constitute a third-party beneficiary contract for the benefit of the Owners from time to time of the Outstanding Bonds. Said third-party beneficiaries shall be entitled to enforce performance and observance by the parties of the respective agreements and covenants herein contained as fully and completely as if said third-party beneficiaries were parties hereto; provided that this Agreement (other than this Section 9) may be amended or supplemented from time to time without notice to or the consent of such third-party beneficiaries. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their respective successors and permitted assigns as provided herein, and the Owners of the Outstanding Bonds, any benefit or other legal or equitable right, remedy or claim under this Agreement.

Section 10. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 11. Amendments. This Agreement (and the form and requirements of the Disclosure Information) may not be effectively amended or supplemented except in a writing executed by the parties hereto (and the consent of the Dissemination Agent to such an amendment shall not be unreasonably withheld or delayed) accompanied by an opinion of Bond Counsel, who may rely on certificates of the Academy and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Academy or the type of business conducted by the Academy, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule; and (iv) such amendment or supplement does not conflict with any provision of this Agreement not amended or supplemented thereby. This Agreement may be amended or supplemented from time to time without notice to or the consent of the Owners of any Bonds (except as provided in Section 6 hereof).

If the Disclosure Information is amended pursuant to this Section 11, the Academy shall provide to the Dissemination Agent prior to the Dissemination Agent being requested to consent to such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

Section 12. Execution Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Governing Law; Construction. This Agreement shall be construed in accordance with the laws of the State without giving effect to the conflicts-of-law principles thereof. This Agreement is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

Section 14. Term. Except as provided in Section 7(b) hereof, this Agreement shall remain in effect so long as any Bonds are Outstanding.

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EXHIBIT I

THE NO CHILD LEFT BEHIND ACT

THE NO CHILD LEFT BEHIND ACT

Introduction: No Child Left Behind*

On Jan. 8, 2002, President Bush signed into law the *No Child Left Behind* Act of 2001 (NCLB). This law represents President Bush's education reform plan and contains extensive changes to the Elementary and Secondary Education Act (ESEA) enacted in 1965. NCLB changes the federal government's role in kindergarten-through-grade-12 education by asking America's schools to describe their success in terms of what each student accomplishes. The act contains the President's four basic education reform principles: stronger accountability for results, increased flexibility and local control, expanded options for parents, and an emphasis on teaching methods that have been proven to work.

Under NCLB, an "accountable" education system involves several critical steps:

- States create their own standards for what a child should know and learn for all grades. Standards must be developed in math and reading immediately. Standards must also be developed for science by the 2005-06 school year.
- With standards in place, states must test every student's progress toward those standards by using tests that are aligned with the standards. Beginning in the 2002-03 school year, schools must administer tests in each of three grade spans: grades 3-5, grades 6-9, and grades 10-12 in all schools. Beginning in the 2005-06 school year, tests must be administered every year in grades 3 through 8 in math and reading. Beginning in the 2007-08 school year, science achievement must also be tested.
- Each state, school district, and school will be expected to make adequate yearly progress toward meeting state standards. This progress will be measured for all students by sorting test results for students who are economically disadvantaged, from racial or ethnic minority groups, have disabilities, or have limited English proficiency.
- School and district performance will be publicly reported in district and state report cards. Individual school results will be on the district report cards.
- If the district or school continually fails to make adequate progress toward the standards, then they will be held accountable.

The U.S. Department of Education website (<http://www.ed.gov>) has more detailed information about the NCLB legislation.

Purpose**

Title I, Part A, is intended to help ensure that all children have the opportunity to obtain a high-quality education and reach proficiency on challenging state academic standards and assessments. Less than one-third (29 percent) of all fourth-grade students performed at or above the proficient level on the National Assessment of Educational Progress (NAEP) in reading in 2000. The percentage of students reaching proficiency was even lower for low-income students (13 percent), African Americans (10 percent), Hispanics (13 percent), students with disabilities (8 percent), and students with limited English proficiency (3 percent).

As the largest federal program supporting elementary and secondary education (funded at \$10.4 billion in FY 2002), Title I targets these resources to the districts and schools where the needs are

* Source: Official U.S. Department of Education web site <http://www.nochildleftbehind.gov/next/overview/index.html>

** Source: U.S. Department of Education, Office of Elementary and Secondary Education, *No Child Left Behind: A Desktop Reference*, Washington, D.C., 2002. A complete copy of this report is available on the U.S. Department of Education's Web site at: <http://www.ed.gov/offices/OESE/reference>

greatest. Schools with poverty rates of 50 percent or higher received 73 percent of Title I funds in the 1997-98 school year, and nearly all (96 percent) of the highest-poverty schools (those with 75 percent or more low-income students) received Title I funds.

Title I provides flexible funding that may be used to provide additional instructional staff, professional development, extended-time programs, and other strategies for raising student achievement in high-poverty schools. The program focuses on promoting schoolwide reform in high-poverty schools and ensuring students' access to scientifically based instructional strategies and challenging academic content. Title I provisions provide a mechanism for holding states, school districts, and schools accountable for improving the academic achievement of all students and turning around low-performing schools, while providing alternatives to students in such schools to enable those students to receive a high-quality education.

Focuses on What Works

- Requires that Title I funds be used only for effective educational practices. Title I schoolwide and targeted assistance programs are required to use effective methods and instructional strategies that are grounded in scientifically based research. School improvement plans, professional development, and technical assistance that districts provide to low-performing schools must be based on strategies that have a proven record of effectiveness.
- Requires states to develop plans with annual measurable objectives that will ensure that all teachers teaching in core academic subjects are highly qualified by the end of the 2005-06 school year.
- Requires local school districts to ensure that all Title I teachers in core academic subjects hired after the first day of the 2002-03 school year are "highly qualified." For new teachers, this means being certified by the state (including alternative routes to state certification), holding at least a bachelor's degree, and demonstrating subject area competency.
- Strengthens corrective action (required after two years of school improvement) to include actions more likely to bring about meaningful change at the school, such as replacing school staff responsible for the continued failure to make adequate yearly progress, implementing a new curriculum, and reorganizing the school internally.
- Mandates the fundamental restructuring of any school that fails to improve over an extended period of time, including reopening the school as a charter school or turning over school operations either to the state or to a private company with a demonstrated record of effectiveness.
- Strengthens paraprofessional requirements to include two years of postsecondary education or, for an applicant with a high school diploma, the demonstration of necessary skills on a formal state or local academic assessment. All new hires must meet these requirements, and existing paraprofessionals have four years to comply with them.
- Emphasizes that paraprofessionals may not provide instructional support services except under the direct supervision of a teacher.

Reduces Bureaucracy and Increases Flexibility

- Expands eligibility for schoolwide programs. The poverty threshold for schoolwide programs, which enable schools to use Title I funds to raise the achievement of at-risk students by improving the quality of instruction throughout the school, has been lowered from 50 percent to 40 percent.

Increases Accountability for Student Performance

- Requires annual assessments in grades 3-8 that include all students.
- Requires state and local report cards on student academic achievement.
- Requires states to implement a single statewide accountability system.
- Tightens provisions concerning adequate yearly progress by requiring states to specify annual measurable objectives to measure student progress to ensure that all groups of students disaggregated by poverty, race and ethnicity, disability, and limited English proficiency data-reach proficiency in reading and math within 12 years.
- Substantially increases funding for state and local support for school improvement (from one-half percent of Title I funds under the 1994 Elementary and Secondary Education Act reauthorization to 2 percent under the No Child Left Behind Act, rising to 4 percent in 2004). Also establishes a separate \$500 million authorization for Assistance for Local School Improvement grants.

Empowers Parents

- Requires local school districts to offer public school choice to students in schools identified for improvement, corrective action, or restructuring so that no student is trapped in a failing school. School districts must provide transportation for eligible students, subject to the 20 percent rule described below.
- Requires school districts to permit low-income students attending chronically failing schools to obtain supplemental educational services from a public- or private-sector provider that has been approved by the state. Faith-based organizations are eligible to apply for approval to provide supplemental educational services.
- Requires school districts to spend an amount equal to 20 percent of their Part A funds for transportation of students who exercise a choice option or for supplemental educational services, unless a lesser amount is needed to meet all requests. These funds do not have to be taken from Title I allocations, but may be provided from other allowable federal, state, local or private sources.
- Notifies parents of school choice and supplemental educational services options. Requires districts to “promptly” notify parents of eligible students attending schools identified for improvement, corrective action, or restructuring of their option to transfer their child to a better public school or to obtain supplemental educational services.
- Establishes Parents’ “Right to Know” provision. Requires local school districts to annually notify parents of their right to request information on the professional qualifications of their children’s teachers.

How It Works

Title I, Part A, provides formula grants to school districts, which then allocate most of these funds to individual Title I schools based on their number of poor children. Schools may use Title I funds for one of two approaches:

- Schoolwide programs. High-poverty schools (those with 40 percent or more students from low-income families) are eligible to adopt schoolwide programs to raise the achievement of low-achieving students by improving instruction throughout the entire school, thus using Title I funds to serve all children.

- Targeted assistance programs. Schools that are not eligible for (or do not choose to operate) schoolwide programs must use Title I funds to provide targeted services to low-achieving students.

Title I funds may be used for a variety of services and activities, most commonly for instruction in reading and mathematics. The legislation encourages the use of strategies such as extended day (before- and afterschool programs), extended year, and summer programs to increase learning time. Although districts and schools may use Title I funds to serve children from preschool age through high school, most focus these funds on students in the early grades; three-quarters (77 percent) of Title I participants are in preschool through grade 6.

Key Requirements

The No Child Left Behind Act strengthens Title I requirements for state assessments, accountability systems, and support for school improvement. The law also establishes minimum qualifications for teachers and paraprofessionals in Title I programs.

Assessments

By the 2005-06 school year, states must develop and implement annual assessments in reading and mathematics in grades 3 through 8 and at least once in grades 10-12. By 2007-08, states also must administer annual science assessments at least once in grades 3-5, grades 6-9, and grades 10-12. These assessments must be aligned with state academic content and achievement standards and involve multiple measures, including measures of higher-order thinking and understanding.

- Alignment with State Standards. State assessments must be aligned with challenging academic content standards and challenging academic achievement standards. States were required under the previous law to develop or adopt standards in mathematics and reading/language arts, and the new law requires the development of science standards by 2005 and 2006. Their standards must have the same expectations for all children and have at least three achievement levels.
- Inclusion. State assessments must provide for the participation of all students, including students with disabilities or limited English proficiency. Students who have been in schools in the United States for three consecutive years must be assessed in English in the area of reading and language arts.
- Accommodations. State assessments must provide for reasonable accommodations for students with disabilities or limited English proficiency, including, if practicable, native-language versions of the assessment.
- Annual Assessment of English Proficiency. Beginning with the 2002-03 school year, states must ensure that districts administer tests of English proficiency—that measure oral language, reading, and writing skills in English—to all limited English proficient students.
- Reporting. State assessment systems must produce results disaggregated by gender, major racial and ethnic groups, English proficiency, migrant status, disability, and status as economically advantaged. The assessment system must produce individual student interpretive, descriptive, and diagnostic reports. States must report itemized score analyses to districts and schools.
- Prompt Dissemination of Results. States must ensure that the results of state assessments administered in one school year are available to school districts before the beginning of the next school year. The assessment results must be provided in a manner that is clear and easy to understand and be used by school districts, schools and teachers to improve the educational achievement of individual students.

- **Participation in State NAEP.** States must participate in biennial National Assessment of Educational Progress (NAEP) assessments in reading and mathematics for fourth- and eighth-graders, beginning in 2002-03. State-level NAEP data will enable policymakers to examine the relative rigor of state standards and assessments against a common metric.

Accountability

States must develop and implement a single, statewide accountability system that will be effective in ensuring that all districts and schools make adequate yearly progress, and hold accountable those that do not. Schools that do not make adequate yearly progress will be identified for increasingly rigorous sanctions designed to bring about meaningful change in instruction and performance. Further, students in low performing schools will have the option to transfer to other public schools or to obtain supplemental educational services. Finally, the law mandates the fundamental restructuring of any school that fails to improve over an extended period of time.

- **Adequate Yearly Progress.** States must establish a definition of adequate yearly progress that each district and school is expected to meet. States must specify annual objectives to measure progress of schools and districts to ensure that all groups of students-including low-income students, students from major racial and ethnic groups, students with disabilities, and students with limited English proficiency-reach proficiency within 12 years. States must set intermediate goals that provide for annual adequate yearly progress targets, with the first increase to occur no later than 2004-05. In order to make adequate yearly progress, schools must test at least 95 percent of their students in each of the above groups.
- **Identification of Schools and Districts in Need of Improvement.** States must annually review the progress of each school and school district receiving Title I funds to determine whether they are making adequate yearly progress, and then publicize and disseminate the results of the review. Title I schools and districts that fail to make adequate yearly progress for two consecutive years must be identified as in need of improvement.
- **Public School Choice.** Students in schools identified for improvement must be given the option to transfer to another public school that has not been identified for improvement, with transportation provided as described below.
- **Professional development.** Schools identified for improvement must spend at least 10 percent of their Title I Part A funds on professional development for the school's teachers and principal that directly addresses the academic achievement problem that caused the school to be identified for improvement.
- **Supplemental Educational Services.** If a school fails to make adequate yearly progress for a third year, students from low-income families in the school must be given the option to use Title I funds to obtain supplemental educational services from a public- or private-sector provider, including faith-based organizations, selected from a list of providers approved by the state.
- **States must develop and apply objective criteria to potential providers that are based on a demonstrated record of effectiveness in increasing academic proficiency, and must monitor the quality and effectiveness of the services offered by approved providers.** States must maintain a list of approved providers across the state, by school district, from which parents may select, and must promote maximum participation by supplemental educational services providers to ensure that parents have as many choices as possible.
- **Funds for Transportation and Supplemental Services.** School districts are required to spend an amount equal to 20 percent of their Title I, Part A, funds to pay for supplemental educational services

for eligible students and for transportation of students exercising the public school choice option, unless a lesser amount is needed to meet all requests. These funds do not have to be taken from Title I allocations, but may be provided from other allowable federal, state, local, or private sources, including federal funds under Section 1003, Title V, Part A; Title II, Part A; Title II, Part D; Title IV, Part A; and Title V, Part A (in some cases, these funds may only be used for this purpose under the transferability provision described below).

- **Corrective Action.** If a school fails to make adequate yearly progress for a fourth year, the school district must take corrective actions that are designed to bring about meaningful change at the school. These corrective actions must include at least one of the following: replacing school staff, implementing a new curriculum (with appropriate professional development), decreasing management authority at the school level, appointing an outside expert to advise the school, extending the school day or year or reorganizing the school internally. Similarly, if a school district fails to make adequate yearly progress for four years, the state must take corrective actions that must include at least one of the following: deferring programmatic funds or reducing administrative funds; implementing a new curriculum (with professional development); replacing personnel; establishing alternative governance arrangements; appointing a receiver or trustee to administer the district in place of the superintendent and school board; or abolishing or restructuring the school district. The state may also authorize students to transfer to higher-performing public schools operated by another school district (with transportation). States must provide information to parents and the public on any corrective action the state takes with school districts.

- **Restructuring.** If a school fails to make adequate yearly progress for a fifth year, the school district must initiate plans to fundamentally restructure the school. This restructuring may include reopening the school as a charter school, replacing all or most of the school staff who are relevant to the failure to make adequate progress, or turning over school operations either to the state or to a private company with a demonstrated record of effectiveness.

- **Technical Assistance.** States and school districts must provide technical assistance to schools identified for school improvement, corrective action, or restructuring. States are required to reserve portions of their Title I funding to benefit schools identified for school improvement, corrective action, and restructuring, and they must distribute 95 percent of these reserved funds to school districts. State assistance must include: establishing school support teams; designating and using distinguished teachers and principals who are chosen from schools that have been especially successful in improving academic achievement; and devising additional approaches to providing assistance, such as through institutions of higher education and educational service agencies or other local consortia, and private providers of scientifically based technical assistance.

- **State Report Cards.** States must produce and disseminate annual report cards that provide information on how students are achieving overall as well as information disaggregated by race, ethnicity, gender, English proficiency, migrant status, disability status, and low-income status. The report cards must include:

- State assessment results by performance level, showing two-year trend data for each subject and grade tested, with a comparison between annual objectives and actual performance for each student group. The report cards also must show the percentage of each group of students not tested.
- Graduation rates for secondary school students and any other student achievement indicators that the state chooses.

- Performance of school districts on adequate yearly progress measures, including the number and names of schools identified as in need of improvement.
- Professional qualifications of teachers in the state, including the percentage of teachers teaching with emergency or provisional credentials and the percentage of classes in the state that are not taught by highly qualified teachers, including a comparison between high- and low-poverty schools.
- School District Report Cards. School districts also must prepare and disseminate annual report cards that include information on student achievement for the district and for each school. As with the state report cards, achievement data must be disaggregated for the same student subgroups. The report cards also must provide information on the schools identified for improvement.
- Annual State Report to the Secretary. States must report annually to the secretary of Education on their progress in developing and implementing academic assessments; students' achievement on the assessments disaggregated by groups of students; and information about acquisition of English proficiency by children with limited English proficiency, the names of schools identified as in need of improvement, public school choice, supplemental service programs, and teacher quality.

Qualifications for Teachers and Paraprofessionals

The No Child Left Behind Act requires states to ensure that Title I schools provide instruction by highly qualified instructional staff.

- Highly Qualified Teachers. States must develop plans with annual measurable objectives that will ensure that all teachers of core academic subjects are highly qualified, which means that they have state certification (which may be alternative state certification), hold a bachelor's degree, and have demonstrated subject area competency. Core academic subjects include English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. All new hires in Title I programs after the start of the 2002-03 school year must meet these requirements; all existing teachers must meet these requirements by the end of the 2005-06 school year. School districts must use at least 5 percent of their Title I funds for professional development to help teachers become highly qualified.
- Higher Qualifications for Paraprofessionals. Paraprofessionals in Title I programs must have at least two years of postsecondary education or, for an applicant with a high school diploma, demonstrate necessary skills on a formal state or local academic assessment. All new hires in Title I programs after January 8, 2002, must meet these requirements; existing paraprofessionals have four years from January 8, 2002, to comply with them. However, these requirements do not apply to paraprofessionals used for translation or parent involvement. All paraprofessionals in Title I programs must have a high school diploma or its equivalent.
- Appropriate Roles for Paraprofessionals. The law specifies that paraprofessionals may not provide instructional support services except under the direct supervision of a teacher.

How It Achieves Quality

Throughout the legislation, there is a strong emphasis on ensuring that Title I funds are used to support educational practices that are based on scientific research. More specifically:

- States must assist school districts in developing or identifying high-quality, effective curricula aligned with state academic achievement standards, and must disseminate such curricula to each district and school within the state.
- School districts are required to take into account the experience of model programs for the educationally disadvantaged and the findings of relevant scientifically based research as they develop their plans for services.
- Both schoolwide and targeted assistance programs are required to use effective instructional methods and strategies based on scientifically based research.
- Schools identified for improvement must develop two-year improvement plans that incorporate strategies based on scientifically based research. School districts must provide technical assistance to these schools, such as identifying and implementing professional development, instructional strategies, and methods of instruction that are grounded in scientifically based research and have been proven effective in addressing the specific instructional issues that caused the school to be identified.
- School districts identified for improvement must incorporate scientifically based research strategies in their improvement plans. State technical assistance to identified school districts must be based on scientifically based research.
- If a school district is identified for corrective action and a new curriculum is implemented, the state must provide professional development based on scientifically based research.
- School support teams, whose top priority is to provide assistance to schools subject to corrective action, are to be composed of persons who are knowledgeable about scientifically based research and practice on teaching and learning, as well as about successful schoolwide projects, school reform, and improving educational opportunities for low-achieving students.
- The law establishes new requirements to ensure that teachers of core academic subjects are highly qualified and requires annual measurable objectives toward these goals for each district and school. In addition, the law requires paraprofessionals to meet more rigorous training and skills requirements.

How Performance Is Measured

The No Child Left Behind Act requires states to put into place a series of measurable objectives about student performance that states, school districts, and schools are expected to meet, as well as a series of reporting mechanisms to measure progress. Performance is measured by the progress of schools and districts in making adequate yearly progress in applying the same high standards of academic achievement to all public elementary and secondary school students. Performance information will be publicly disseminated on an annual basis through a system of state and school district report cards. States also must report annually to the secretary of education on: their progress in implementing the requirements of the new law; student achievement on state assessments (disaggregated by groups of students); and information about schools in need of improvement (including the names of such schools), public school choice, supplemental educational services programs, and teacher quality.

Key Activities For The State Education Agencies

State education agencies (SEAs) must:

- Produce an annual report card.

- Develop and implement annual assessments in reading, language arts, and mathematics in grades 3-8 and at least once in grades 10-12, by 2005-06.
- Develop and implement standards in science by 2005-06 and assessments in science by 2007-08.
- Annually assess the English proficiency of students who are learning the English language.
- Ensure the prompt dissemination of state assessment results (before the beginning of the next school year).
- Participate in biennial state-level NAEP assessments of fourth- and eighth-grade reading and mathematics.
- Define and implement an adequate yearly progress definition for the state, school districts, and schools.
- Annually review the progress of each school district to determine whether schools receiving assistance are making adequate yearly progress and whether each district is carrying out its responsibilities; SEAs also must publicize the results of this review.
- Establish a statewide system of support for districts and schools in need of improvement.
- Ensure that schools provide instruction by highly qualified instructional staff.

Description of Michigan's Average Yearly Progress Formula*

The No Child Left Behind Act of 2001 provides specific requirements for Adequate Yearly Progress ("AYP") formulas that are used by individual states. The legislation gives Title I schools and districts the two methods described below to determine whether or not they have made Adequate Yearly Progress. For districts, the methods are applied to the Title I schools in the district as a group.

AYP Based on Achievement

A Title I school or district makes AYP for a particular year based on achievement if at least a certain percentage of students meets or exceeds state standards on the Michigan Educational Assessment Program tests, at least 95 percent of the students participated in state assessments, and the school or district has an acceptable attendance or graduation rate. For tests with four achievement levels, students must score in one of the top two achievement levels (Levels 1 and 2) in order to meet state standards. For the older tests with only three achievement levels, students must score in the top level to meet state standards. The required percentage is the same for all schools and districts in the state and is known as the "annual state objective." The percentages are different for each subject, however, as well as each grade level tested, because they depend on the starting points established in 2002. The annual state objective for each subject and grade level will increase as shown below until it reaches 100 percent for all subjects and grade levels in 2014.

Year	English Language Arts			Mathematics		
	Elem.	Middle	High	Elem.	Middle	High
2002	38%	31%	42%	47%	31%	33%
2003	38%	31%	42%	47%	31%	33%

* Source: Michigan Department of Education web site: <http://136.181.114.10/ayp/formula/>

2004	38%	31%	42%	47%	31%	33%
2005	49%	43%	52%	56%	43%	44%
2006	49%	43%	52%	56%	43%	44%
2007	49%	43%	52%	56%	43%	44%
2008	59%	54%	61%	64%	54%	56%
2009	59%	54%	61%	64%	54%	56%
2010	59%	54%	61%	64%	54%	56%
2011	69%	66%	71%	73%	66%	67%
2012	79%	77%	81%	82%	77%	78%
2013	90%	89%	90%	91%	89%	89%
2014	100%	100%	100%	100%	100%	100%

The annual state objectives apply to the entire group of students in the school or district who took the MEAP English language arts and mathematics tests. They also apply separately to each of the following groups of students, if at least 30 students in the group took a particular MEAP test:

- Students from different racial/ethnic groups
- Students from low-income families
- Students with Limited English Proficiency
- Students with disabilities

For a Title I school or district to make AYP based on achievement, each of the above groups of students must also meet the annual state objective. At least 95 percent of the students in each group must have taken the MEAP or an alternative assessment for limited English proficient students or students with disabilities, and the school or district must also have acceptable attendance or graduation rates.

The most accurate picture of a school's or a district's achievement is sometimes obtained by averaging its MEAP results for two or three years. To determine if a school or district has met the annual state objective, first its results for a particular year are compared to the annual state objective for that year. If the school's or the district's one-year results are below the objective, its results are then averaged for two years to see if the average meets the objective. If the two-year average is still below the objective, the school's or the district's results are averaged for three years to see if this average meets the objective. If the three-year average is below the objective, the school or district has not made AYP based on achievement.

AYP Based on Improvement

If a school or district does not meet the required MEAP percentages to make AYP based on achievement, it can still make AYP by improving its MEAP scores a certain amount from one year to the next, in combination with at least 95 percent participation and acceptable attendance or graduation rates. The required improvement in MEAP scores is based on each school's or district's current achievement level and reflects how far it is from having all students meet state standards. If a school's or a district's achievement levels are different in reading and mathematics, and for the groups of students whose progress must be monitored, the required amounts of improvement are also different. The lower the current achievement level, the more a school, a district, or a group of students must improve in order to make AYP.

The specified formula for each subject area and group of students is a reduction of at least 10 percent in the percentage of students who did not meet state standards in the previous year. For MEAP tests with four achievement levels, students do not meet state standards if they score in the bottom two levels (Levels 3 and 4). For MEAP tests with three achievement levels, students do not meet state standards if they score below the top level. It is important to note that the test results used for AYP based

on improvement are year-to-year comparisons, and do not involve the averaging of results for more than one year.

Requirements for Schools That Do Not Make AYP*

- Depend on the number of years the school has not made AYP.
- Give schools the opportunity to improve their achievement with outside assistance during the school improvement phase (no AYP for two or three consecutive years).
- Require district intervention during the corrective action and restructuring phases (no AYP for four or five consecutive years).
- Offer educational options for students attending identified schools.
- Allow identified schools that make AYP to change their status.

Requirements for Districts That Do Not Make AYP*

- Begin when the district has not made AYP for two years.
- Require a district improvement plan supported by professional development.
- Provide assistance in developing and implementing the improvement plan, if requested by the district.
- Allow the Michigan Department of Education to take corrective action after assistance has been provided.

In compliance with NCLB, schools that are identified for improvement, not having met AYP, must revise their school improvement plans and submit revised school improvement plans for review and approval. They must also use at least 10 percent of their Title I funds for professional development to support the revised plan. The Academy began operations in fall, 2006 and has not yet been evaluated for AYP.

* Source: Michigan Department of Education web site: <http://136.181.114.10/ayp/about/>